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October 18, 2012

By E-Mail

Employee Benefits Security Administration
Office of Exemption Determination
U.S. Department of Labor
Room N-5700
200 Constitution Avenue NW.
Washington, DC 20210
e-OED@dol.gov

Attn: Jan Broady – broadyj@dol.gov
cc: Warren Blinder – blinder.warren@dol.gov

Re: Request for Individual Exemption on Behalf of AT&T Inc.

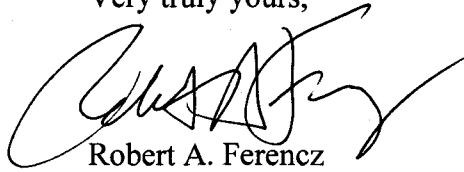
Dear Jan:

Attached is the request for an individual exemption on behalf of AT&T Inc. pursuant to U.S. Department of Labor Regulations issued at 29 CFR § 2570.30 *et seq.* As we have discussed, the date of an e-mail submission of an exemption request is the effective date of the filing and, therefore, the effective date of this filing is today, October 18, 2012. Pursuant to 29 CFR § 2570.36, a paper copy of the application will be hand delivered to the Department tomorrow.


We appreciate your assistance in this matter. If you have any questions, please contact Bob Ferencz at (312) 853-7682 or Beth Dickstein of Sidley Austin LLP at (312) 853-6093, both of

whom have authority to address any questions from the Department regarding this exemption application.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert A. Ferencz", written in a cursive style.

Robert A. Ferencz

A handwritten signature in black ink, appearing to read "Beth J. Dickstein", written in a cursive style.

Beth J. Dickstein

Attachments

cc: T. Giltner
(w/o attachments)



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Employee Benefits Security Administration
 Office of Exemption Determination
 U.S. Department of Labor
 Room N-5700
 200 Constitution Avenue NW.
 Washington, DC 20210
e-OED@dol.gov

Re: Request for Individual Exemption on Behalf of AT&T Inc.

Dear Sir or Madam:

Pursuant to U.S. Department of Labor (the "Department") Regulations issued at 29 CFR § 2570.30 *et seq.*, AT&T Inc. respectfully requests an exemption from the prohibited transaction provisions of sections 406(a)(1)(A), 406(a)(1)(E), 406(a)(2), 406(b)(1) and 407(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the parallel provisions of section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), for an in-kind contribution of 320 million Series A Cumulative Perpetual Preferred Membership Interests of AT&T Mobility II LLC to the SBC Master Pension Trust, which holds assets of two U.S. defined benefit pension plans maintained by AT&T Inc. and its affiliates, and certain related transactions.

Below is a description of the transactions and requested exemption, as well as the information supporting the request, as required under U.S. Department of Labor Regulation § 2570.34 and § 2570.35. As explained in more detail below, the approval of this request will help AT&T Inc. enhance the long term financial viability of its pension plans that benefit over 600,000 employees, retirees, and beneficiaries. Further, the requested exemption is administratively feasible, in the interests of plan participants and beneficiaries and protective of their rights, as required by section 408(a) of ERISA.

Employee Benefits Security Administration
October 18, 2012
Page 2

I. INFORMATION PROVIDED PURSUANT TO 29 CFR § 2570.34

A. Name of Applicant (29 CFR § 2570.34(a)(1)):

This application is submitted on behalf of AT&T Inc. and its affiliated parties in interest described below (collectively, "AT&T").

B. Detailed Description of the Exemption Transactions and the Parties in Interest for Whom an Exemption is Requested (29 CFR § 2570.34(a)(2)):

1. Description of Parties in Interest for Whom an Exemption is Requested:

(a) AT&T Inc.

AT&T Inc., formerly known as SBC Communications Inc., is a holding company incorporated under the laws of the State of Delaware in 1983 that has its principal executive offices at 208 S. Akard St., Dallas, Texas, 75202 (telephone number 210-821-4105). AT&T, with a market capitalization in excess of \$200 billion, is a leading provider of telecommunications services in the United States and internationally. AT&T is ranked number 11 on Fortune Magazine's 2012 list of the 500 largest corporations in America. AT&T offers its services and products to consumers in the U.S. and services and products to businesses and other providers of telecommunications services worldwide. The services and products that AT&T offers vary by market, and include: wireless communications, local exchange services, long-distance services, data/broadband and Internet services, video services, tele-communications equipment, managed networking and wholesale services.

AT&T's wireless business ("AT&T Mobility") is the fastest growing part of AT&T's business. AT&T Mobility earned operating revenues totaling \$63.212 billion and income totaling \$15.278 billion in the year ended December 31, 2011. During the same year, AT&T's total revenue was \$126.723 billion and its cash from operating activities was \$34.6 billion. Revenue from wireless data increased from \$4.3 billion in 2006 to \$22 billion in 2011. The continued financial success of AT&T, anchored by the growth of AT&T Mobility which accounted for approximately 50% of the total operating revenue for all of AT&T's business segments, has allowed AT&T to pay \$10.2 billion in dividends to shareholders in 2011 which was the 28th consecutive year of annual dividend increases for AT&T. At the same time, AT&T has invested a significant amount of capital into operations and assets in order to ensure its continued growth. From 2007 through 2011, AT&T has invested more capital into the U.S. economy than any other

Employee Benefits Security Administration

October 18, 2012

Page 3

public company, totaling more than \$115 billion, including acquiring spectrum and other assets that enhance its wireless and wired networks. In 2011, more than \$20 billion was invested into AT&T's and AT&T Mobility's networks.

(b) AT&T Mobility II LLC

AT&T Mobility II LLC (the "Issuer"), an indirect wholly-owned subsidiary of AT&T Inc., is a Delaware limited liability company that has its principal executive offices at 1025 Lenox Park Blvd, NE, Atlanta, GA, 30319. The Issuer provides the wireless services marketed under AT&T's name and is one of the largest wireless telecommunications providers in the United States. The Issuer serves approximately 103 million mobile users over a nationwide network that spans all major metropolitan areas, and is the single most profitable, financially strong and fastest growing business segment in AT&T's affiliated group.

2. Description of Exemption Transactions

AT&T Inc. proposes to make an in-kind contribution (the "Contribution") of 320 million Series A Cumulative Perpetual Preferred Membership Interests of the Issuer, a newly-created class of membership interests (the "Preferred Interests"), to the SBC Master Pension Trust (the "Trust"). The Trust holds assets of the AT&T Pension Benefit Plan and the AT&T Puerto Rico Pension Benefit Plan (collectively, the "Plans"). The Issuer will be recapitalized by amending its governing documents to provide for an additional class of equity consisting of the Preferred Interests. The Preferred Interests will be issued by the Issuer to AT&T Inc. and then contributed by AT&T Inc. to the Trust. Brock Fiduciary Services, LLC (the "Independent Fiduciary") has been engaged to serve as independent fiduciary, appraiser and investment manager with respect to the transactions covered by the exemption being requested. The Independent Fiduciary is well qualified to provide such services, as described in Section I.B.2.(c) below and in its valuation report, attached as Exhibit B.

The Contribution will be made as soon as practicable after the exemption is granted. Below is a description of the Preferred Interests and a Contribution Agreement that will set forth the terms of the Contribution.

(a) Description of the Preferred Interests. The Preferred Interests will be a newly created class of preferred membership interests, 100% of which will be contributed and owned by the Trust upon the grant by the Department of the

Employee Benefits Security Administration

October 18, 2012

Page 4

exemption requested herein. Currently, the only membership interests issued by the Issuer are common membership interests, all of which are held by AT&T.

(1) Liquidation Value. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Issuer, then, before any distribution or payment will be made to the holders of any other class or series of equity interests, the holders of the Preferred Interests will be entitled to \$25.00 per Preferred Interest (*i.e.*, \$8 billion in the aggregate) plus any accrued and unpaid distributions.

(2) Senior Rank. The Preferred Interests will rank senior to any other class or series of equity interests in the Issuer, now in existence or created in the future, in respect of the right to receive distributions and the right to receive payments or distributions out of the assets of the Issuer upon voluntary or involuntary liquidation, dissolution or winding up of the Issuer. Therefore, in the unlikely event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Issuer, the Trust, as the holder of the Preferred Interests, will be entitled to receive the liquidation value of the Preferred Interests and any accrued cumulative but unpaid distributions, before any liquidating distribution or payment is made to the holders of any other class of equity interests of the Issuer.

(3) Fair Market Value. The fair market value of a Preferred Interest at any point in time is determined by the Independent Fiduciary in its sole discretion based primarily on the net present value of the expected distributions (described below) and Option Price (defined below) using a discount rate that reflects the assumed term as of the valuation date and an appropriate discount for the non-public nature of the Preferred Interests. The Independent Fiduciary is an investment adviser registered under the Investment Advisers Act of 1940, as amended. The Independent Fiduciary has extensive experience as an appraiser of non-publicly traded securities, including securities of the same type as the Preferred Interests. The Independent Fiduciary serves in a similar capacity in other material transactions that have received exemptions, including the Chrysler Group LLC notes and common shares and the General Motors Company common stock, preferred stock, and warrants contributed by those companies to the UAW Retiree Medical Benefits Trust. The combined value of the employer securities held in the UAW Retiree Medical Benefits Trust for which Brock is the independent fiduciary is approximately \$20 billion. It is currently estimated by the Independent

Fiduciary, as independent fiduciary and qualified independent appraiser, that at the time of the Contribution (the "Contribution Date"), the Preferred Interests would have a fair market value of approximately \$9.5 billion. The Independent Fiduciary's valuation report for the Preferred Interests is attached as part of Exhibit B. The Independent Fiduciary will re-value the Preferred Interests immediately prior to the Contribution Date using the methodology set forth in such valuation report (absent extraordinary circumstances). The Independent Fiduciary will value the Preferred Interests on a quarterly basis after the Contribution Date, using the methodology set forth in such valuation report (absent extraordinary circumstances).

(4) Distributions. The Preferred Interests will accrue, pursuant to the Third Amended and Restated Limited Liability Company Agreement of AT&T Mobility II LLC (the "LLC Agreement"), cumulative distributions of \$1.75 per Preferred Interest per annum, payable quarterly upon declaration by the Issuer. At any time when distributions on any outstanding Preferred Interests are in arrears for purposes of the LLC Agreement: (i) the Issuer will not be permitted to make any transfer of cash to AT&T Inc. or any other member of the Issuer, whether pursuant to a loan, equity distribution or any other arrangement, and (ii) AT&T Inc. will not be permitted to declare any dividends on or make any repurchases of its common stock. It is in AT&T Inc.'s financial interest to, and AT&T intends to exercise its ownership rights in the Issuer to cause the Issuer to pay the fixed distribution on the Preferred Interests each quarter.

(5) Liquidity. The Contribution will enhance the liquidity of the Trust's investment portfolio. First, the distributions described above would generate an expected annual cash flow of \$560 million, a return not available in today's financial market. Such cash flow is in excess of the estimated 2013 minimum required contribution for AT&T (approximately \$300 million) and would reduce the Trust's need to liquidate other investments to provide for benefit payments. In this connection, the Trust's investment portfolio currently includes approximately \$33 billion (out of total assets of approximately \$46 billion) of highly liquid, publicly traded assets, enough to support approximately eight years of expected benefit payments, even assuming the Trust earned nothing on its assets, received no additional contributions and received none of the distributions described above. In fact, the Trust's investment returns were

approximately 5% in 2011, 14% in 2010 and 15% in 2009. Second, adding the Preferred Interests to the Trust's portfolio provides an attractive element of stability in a highly volatile market environment because of its fixed liquidation value, described above. Third, the Preferred Interests will be transferrable to AT&T Inc. pursuant to the exercise of Put and Call Options described below (or transferrable to the "Purchaser", as defined below, in the case of the Call Option). The Trust's investment portfolio will be adjusted, to the extent prudent, to reflect that the Trust's allocation to equity securities will include the Preferred Interests.

(6) Voting Rights. The Preferred Interests are non-voting and do not provide for participation in the management of the Issuer.

(b) Description of the Contribution Agreement. The Preferred Interests, by their terms, are transferable, as described below, upon exercise of the Call Option or the Put Option described below. The Contribution Agreement, attached as part of Exhibit D, will contain the following provisions:

(1) Option Price. The price for each Preferred Interest ("Option Price") in the event of an exercise of a Call Option or a Put Option (defined below) will be defined as the greater of (i) the fair market value of the Preferred Interest, determined by the Independent Fiduciary as of the last day of the calendar quarter preceding the date of notice of exercise of a Call Option or Put Option, as the case may be, or, for the portion of Preferred Interests that cannot be purchased due to the limitations described in paragraph (3) below, the fair market value of the Preferred Interest, determined by the Independent Fiduciary as of the last day of the calendar quarter immediately preceding the date such portion of the Preferred Interest is actually purchased by AT&T Inc., and (ii) the sum of (a) \$25.00 (*i.e.*, \$8 billion in the aggregate) plus (b) any accrued and unpaid distributions.

(2) Call Option. AT&T Inc. and its wholly-owned, direct or indirect, affiliates and the Issuer (individually or collectively, the "Purchaser") will have the right to purchase from the Trust all or any portion of the Preferred Interests (the "Call Option"), at a price per Preferred Interest equal to the Option Price, at any time and from time to time (i) during the 12 month period following the date AT&T Inc. issues an annual report reflecting the fully funded status of the Plans (on a GAAP basis), (ii) on or after a "Change of Control" of the Issuer as described

below (and subject to the additional terms described below) or (iii) on or after the fifth anniversary of the Contribution Date. The Call Option will be exercisable upon 30 days' prior written notice by the Purchaser.

(3) Put Option. The Trust will have the right to require AT&T Inc. to purchase the Preferred Interests (the "Put Option"), at a price per Preferred Interest equal to the Option Price, at any time and from time to time on or after the earlier of (i) the first date that the Issuer's debt-to-total-capitalization ratio (defined below) exceeds that of AT&T Inc., (ii) a "Change of Control" of the Issuer as described below (and subject to the additional terms described below) or (iii) the seventh anniversary of the Contribution Date; *provided, however*, that except in the event of a Change of Control of the Issuer, AT&T Inc. will not be required to purchase more than 106,666,667 Preferred Interests in any 12 month period. The Issuer's "debt-to-total-capitalization ratio" means the sum of the Issuer's debt maturing within one year and long-term debt (both taken directly from the Issuer's most recently prepared US GAAP balance sheet) divided by the sum of the Issuer's debt maturing within one year, long-term debt and total members' equity including outstanding Preferred Interests (all taken directly from the Issuer's most recently prepared US GAAP balance sheet), and AT&T Inc.'s "debt-to-total-capitalization ratio" means the sum of AT&T Inc.'s debt maturing within one year and long-term debt (both taken directly from AT&T Inc.'s most recently prepared US GAAP balance sheet) divided by the sum of AT&T Inc.'s debt maturing within one year, long-term debt and total shareholders' equity (all taken directly from AT&T Inc.'s most recently prepared US GAAP balance sheet). Upon the Independent Fiduciary's reasonable request, as of the end of any calendar quarter, but not more frequently than twice in any calendar year, AT&T Inc. will, within forty-five (45) calendar days after the end of such calendar quarter, certify as to whether the Issuer's debt-to-total-capitalization ratio exceeds that of AT&T Inc. The Put Option will be exercisable by the Independent Fiduciary on behalf of the Trust upon 60 days' prior written notice to AT&T Inc. The obligation to purchase the Preferred Interests upon exercise of the Put Option may be consummated by any Purchaser.

(4) Change of Control Provision. Upon the occurrence of any Change of Control (as defined below), AT&T Inc. may exercise or assign its Call Option to the Issuer or any successor owner of 50% or more of the capital or profits interest (or equity) of the Issuer (exclusive of the

Preferred Interests). If the Call Option is not exercised upon a Change of Control, the parties will negotiate in good faith to determine appropriate treatment of the Preferred Interests, which will be subject to the approval of the Independent Fiduciary in its sole discretion. If no agreement can be reached within 60 days of the Change of Control, the Put Option will become immediately exercisable in full, thereby giving the Independent Fiduciary the right to require AT&T Inc. to purchase all or any portion of the Preferred Interests at the Option Price, except that (i) the limitation on the number of Preferred Interests that AT&T Inc. may be required to purchase in any twelve month period as described above will not apply and (ii) AT&T Inc. will have a period of up to one year to pay the Option Price. "Change of Control" will mean either (A) the occurrence of any merger, reorganization or other transaction that results in AT&T Inc., directly or indirectly, owning less than fifty percent of the capital or profits interests (where the Issuer remains taxable as a partnership), or equity (if the Issuer becomes taxable as a corporation), of the Issuer (exclusive of the Preferred Interests) or (B) a transfer of fifty percent or more of the Plan liabilities and the Trust's assets to an entity not under common control with AT&T Inc.

(5) Settlement. At the sole election of AT&T Inc., or other Purchaser, as the case may be, payment of the Option Price may be made in (i) fully paid and non-assessable shares of AT&T Inc. common stock ("AT&T Shares"), (ii) cash, or (iii) a combination of AT&T Shares and cash. Any AT&T Shares delivered to pay all or a portion of the Option Price will be valued for the purpose of determining the number of AT&T Shares to be delivered to satisfy the Option Price described above, at the average closing price of the 20 trading days preceding the date of notice of exercise (or, in the case of a delayed payment pursuant to the twelve month payment period described in Section I.B.2.(b)(4) above in connection with a Change of Control, the 20 trading days preceding the date of payment). AT&T Inc. and the Trust will execute and deliver a Registration Rights Agreement in substantially the form attached as part of Exhibit D.

Notwithstanding anything herein to the contrary, in no event will AT&T Inc. or other Purchaser, as the case may be, be required to deliver more than 250 million AT&T Shares (the "Capped Number") to the Trust in settlement of the Option Price for the Preferred Interests; provided, however, AT&T Inc. may, in its discretion, deliver more than the Capped

Number of AT&T Shares. The Capped Number is equal to or less than the number of authorized but unissued AT&T Shares that are not reserved for future issuance on the date of determination of the Capped Number (which, for the avoidance of doubt, is [the date of execution], 2013). In the event AT&T Inc., through delivery of the Capped Number of AT&T Shares and AT&T Shares in addition to the Capped Number of AT&T Shares, if any, will not have delivered the full number of AT&T Shares otherwise deliverable in settlement of the Option Price for the Preferred Interests, AT&T Inc. will use its best efforts to authorize and deliver additional AT&T Shares. AT&T Inc. may elect, solely at its option, to settle the Option Price, in whole or in part, by delivering cash. In the event of a merger, reorganization, consolidation, recapitalization, separation, split-up, liquidation, share combination, stock split, stock dividend, or other change in the corporate structure of AT&T Inc. affecting the AT&T Shares (including a conversion of the AT&T Shares into cash or other property), an adjustment may be made in the number and class of shares that may be delivered in settlement of the Option Price for the Preferred Interests, as determined by AT&T Inc. to prevent dilution with respect to the Capped Number and reflect such changes in corporate structure (e.g. substitution of successor shares). In the event AT&T Inc., through delivery of the Capped Number of AT&T Shares and AT&T Shares in addition to the Capped Number of AT&T Shares, if any, will not have delivered the full number of AT&T Shares otherwise deliverable in settlement of the Option Price for the Preferred Interests (resulting in a shortfall), the Preferred Interests for which neither AT&T Shares nor cash have been delivered will remain outstanding, in accordance with their terms.

(c) The Independent Fiduciary.

The Independent Fiduciary has been appointed by AT&T Services, Inc. (an affiliate of AT&T Inc.), the Plans' named fiduciary, as an independent fiduciary and appraiser for the Plans and the Plans' participants and beneficiaries. The Independent Fiduciary is (i) independent of and unrelated to AT&T, and (ii) appointed to act pursuant to an Independent Fiduciary Agreement dated May 1, 2012, attached as part of Exhibit D on behalf of the Plans with respect to the Contribution and will be appointed under an Investment Management Agreement ("IMA") attached hereto as part of Exhibit D with respect to the holding, management and disposition of the Preferred Interests. The Independent Fiduciary does not directly or indirectly control, is not controlled by, and is not

under common control with AT&T. In addition, the Independent Fiduciary does not directly or indirectly receive any compensation or other consideration from AT&T. The Independent Fiduciary's fees and expenses as Independent Fiduciary will be paid by the Plans, although for convenience, AT&T may from time to time pay the Independent Fiduciary's fees and expenses and receive reimbursement from the Plans to the extent permitted by law. The Independent Fiduciary's compensation for its services is not contingent upon or in any way affected by the Independent Fiduciary's decisions. The Independent Fiduciary has not previously provided services to AT&T.

The Independent Fiduciary is an investment adviser registered under the Investment Advisers Act of 1940, as amended. The Independent Fiduciary is a wholly owned subsidiary of Brock Capital Group. The Independent Fiduciary currently manages, as independent employee benefit plan fiduciary, approximately \$20 billion of employer securities that have been contributed to the Chrysler and General Motors voluntary employee beneficiary associations pursuant to the terms of PTE 2010-12 and PTE 2010-30. The Independent Fiduciary was appointed independent fiduciary for those plans in connection with the prohibited transaction exemptions granted by the Department. The Independent Fiduciary calls upon the services of members of Brock Capital Group who can provide the expertise required to carry out its fiduciary duties.

In addition, the Independent Fiduciary has extensive experience as an appraiser of the value of non-publicly traded securities, including securities of the same type as the Preferred Interests. In the previously mentioned prohibited transaction exemption authorized by the Department, the Independent Fiduciary valued the initial contribution by Chrysler Group LLC of its notes and common shares to the UAW Retiree Medical Benefits Trust. The Independent Fiduciary continues to value those securities as the independent fiduciary with respect to those assets. The Independent Fiduciary has played a similar role as independent fiduciary for the UAW Retiree Medical Benefits Trust with respect to the common stock, preferred stock, and warrants contributed by General Motors Company, in a transaction that also received a prohibited transaction exemption from the Department. The Independent Fiduciary delivers updated valuations of the securities to the trustees of the UAW Retiree Medical Benefits Trust on an annual basis. The Independent Fiduciary calls upon the services of members of Brock Capital Group who can provide the expertise required to appraise the value of employer securities contributed to employee benefit plans. The Independent Fiduciary's team members include Stephen R. Wilson (former CFO of RJR Nabisco, The Reader's Digest Association, and Reckitt & Colman plc), Steven C.

Baum (former Managing Partner of Marks Paneth & Shron), Norman H. Brown Jr. (former Managing Director of Donaldson Lufkin & Jenrette), Anthony A. Dreyspool (ERISA attorney and author of the book ERISA Fiduciary Law for Non-Lawyers), Alain Lebec (former Vice Chairman of Merrill Lynch Investment Banking), Donald Walkovik (former Senior Partner at Sullivan & Cromwell) and Charles O. Svenson (attorney and investment banker with Dewey Ballantine Busby Palmer & Wood, Goldman Sachs, and Donaldson Lufkin & Jenrette).

The Independent Fiduciary will discharge its duties in accordance with the terms of Independent Fiduciary Agreement referred to above and the form of Investment Management Agreement referred to above (and successors to these documents). Pursuant to the Independent Fiduciary Agreement, the Independent Fiduciary has, on behalf of the Plans, negotiated the terms and conditions of the Preferred Interests. In addition, the Independent Fiduciary will negotiate and approve on behalf of the Plans any transaction documents between the Plans and AT&T involving the Preferred Interests that may be necessary in connection with the exemption transactions, as well as the ongoing management of such Preferred Interests, including but not limited to a Contribution Agreement, a copy of which is included as part of Exhibit D. The Independent Fiduciary will authorize the trustee of the Plans to accept or dispose of the Preferred Interests, including by exercise of the Put Option or the Call Option, only after the Independent Fiduciary determines that it is consistent with the applicable transaction documents (the "Transaction Documents").

C. Identity of the Representatives for the Plans and the Parties in Interest in Connection with the Exemption Transactions (29 CFR § 2570.34(a)(3)):

As explained above, the Independent Fiduciary, as the independent fiduciary, represents the interests of the Trust, the Plans and their participants and beneficiaries. The Independent Fiduciary does not represent AT&T or its interests. AT&T is represented by its own officers, directors and by Sidley Austin LLP, as legal counsel.

The Independent Fiduciary, however, has authorized AT&T to state that it has reviewed this application, and that it supports the grant of the exemption requested herein.

D. Reasons that the Plans Would Have for Entering into the Exemption Transactions (29 CFR § 2570.34(a)(4)):

1. The Proposed Contribution Would Be Substantially in Excess of the Legally Required Plan Contributions and Would Allow AT&T to Enhance the Sound Funding of the Plans

The value of the Preferred Interests substantially exceeds the amount of contributions that AT&T will be required to make to the Plans for 2013 and for a number of years thereafter. Pursuant to section 412 of the Code, as amended by 2012 legislation discussed below, AT&T anticipates that its minimum required funding contribution for 2013 would be approximately \$300 million. If the proposed exemption is granted, AT&T will contribute Preferred Interests to the Trust in an amount equal to approximately \$9.5 billion. Therefore, the Trust will receive approximately \$9.2 billion in excess of the legally required contributions to the Plans for 2013. As described in Section I.B.2.(a)(5) above, the expected annual cash flow payable on the Preferred Interests alone would exceed the 2013 minimum required contribution.

Because of capital structure requirements relating to AT&T's business operations, AT&T could not be expected to make cash contributions substantially in excess of the minimum amount required to meet the funding requirements of section 412 of the Code. If the requested exemption is granted, AT&T will be able to enhance the sound funding of the Plans by contributing substantially more than it is legally required to contribute at this time.

The importance of the Contribution is enhanced by the pension stabilization provisions included in the recently enacted legislation titled "Moving Ahead for Progress in the 21st Century" ("MAP-21"). MAP-21 significantly reduces the required minimum contributions to the Plans. After enactment of MAP-21 AT&T's required contribution for 2013 was significantly reduced, and is estimated to be approximately \$300 million.

2. Each Preferred Interest Provides for a \$1.75 Distribution. The Preferred Interests will accrue cumulative distributions of \$1.75 per Preferred Interest per annum, payable quarterly upon declaration by the Issuer. This return is very favorable given the returns that otherwise can be obtained on investments in the current market environment. This distribution alone will provide an expected \$560 million in annual cash flow to the Trust, approximately 11% of the Trust's annual cash flow requirements to pay benefits, thereby substantially reducing the Trust's need to liquidate other assets to pay benefits. Contribution of the Preferred Interests and their distribution rights would also reduce the necessary investment return on other Trust assets required to satisfy historic annual benefit payments,

thus, providing greater security to participants and beneficiaries. Absent the contribution of the Preferred Interests, the Trust would have to earn at least 9.3% on its existing investment portfolio to satisfy its historic annual benefit payments without requiring the Trust to liquidate additional assets. However, due to the attractive, highly secure cash yield on the Preferred Interests, the remaining Trust assets would have to earn only 8%.

3. The Trust has an Interest in AT&T's Financial Position. AT&T currently owns all the equity interests in the Issuer, and the Issuer represents a substantial portion of the value of AT&T. Not only will the Trust's participants and beneficiaries benefit from the Contribution, but the Contribution would in effect dedicate a portion of this singularly valuable asset to satisfying the liabilities of the Plans. AT&T thus believes that the Contribution may be viewed favorably by lenders and the capital markets, and will benefit its business operations by giving AT&T the flexibility to invest further in its business. AT&T's business success is, in turn, important to the continued existence of the Plans and their ability to pay their liabilities. The benefit of the Contribution to AT&T's business is aligned with ERISA's fiduciary provisions.

E. Prohibited Transaction Provisions From Which Relief is Sought and Reasons Why the Transactions Would Violate Each Such Provision (29 CFR § 2570.34(a)(5)):

AT&T requests exemptive relief from sections 406(a)(1)(A), 406(a)(1)(E), 406(a)(2), 406(b)(1) and 407(a) of ERISA with respect to the acquisition, holding and disposition of the Preferred Interests by the Plans.

Section 406(a)(1)(A) of ERISA provides that a fiduciary with respect to a plan shall not cause the plan to engage in a transaction if he knows or should know that such transaction constitutes a direct or indirect sale or exchange of any property between the plan and a party in interest. Under DOL Regulation § 2509.94-3, an in-kind contribution to a defined benefit pension plan, because it reduces the funding obligation of the plan sponsor, would be prohibited under section 406(a)(1)(A) of ERISA. Therefore, absent the requested relief, the proposed in-kind contribution of the Preferred Interests appears to violate section 406(a)(1)(A) of ERISA. In addition, exercise of the Call Option or the Put Option (and other transactions contemplated by the Contribution Agreement) would appear to violate section 406(a)(1)(A) of ERISA.

Section 406(a)(1)(E) of ERISA provides that a fiduciary with respect to a plan shall not cause the plan to engage in a transaction if he knows or should know that such

transaction constitutes a direct or indirect acquisition, on behalf of the plan, of any employer security in violation of section 407(a). Section 406(a)(2) of ERISA prohibits a fiduciary who has authority or discretionary control of plan assets to permit the plan to hold any employer security if he knows or should know that holding such security violates section 407(a). Section 407(a)(1) of ERISA states that a plan may not acquire or hold any employer security that is not a qualifying employer security. Section 407(a)(2) of ERISA states that a plan may not acquire any qualifying employer security (or qualifying employer real property) if immediately after such acquisition the aggregate fair market value of the employer securities (and employer real property) held by the plan exceeds 10% of the fair market value of the assets of the plan. Section 407(d)(5) of ERISA defines the term “qualifying employer security” to mean an employer security which is a stock, a marketable obligation, or an interest in certain publicly traded partnerships.

In the case of a plan other than an eligible individual account plan, an employer security will be considered a qualifying employer security only if such employer security satisfies the requirements of section 407(f)(1) of ERISA. Section 407(f)(1) of ERISA states that stock satisfies the requirements of this paragraph if, immediately following the acquisition of such stock no more than 25% of the aggregate amount of stock of the same class issued and outstanding at the time of acquisition is held by the plan, and at least 50% of the aggregate amount of such stock is held by persons independent of the issuer.

The Preferred Interests are not “qualifying employer securities” within the meaning of section 407(d)(5) of ERISA because they do not constitute stock, marketable obligations, or interests in a publicly traded partnership. Furthermore, the Plans will hold 100% of the Preferred Interests. In addition, as of December 31, 2011, the fair market value of the assets of the Trust was approximately \$46 billion and, therefore it is anticipated that, the Contribution of the Preferred Interests will result in both Plans holding employer securities and employer real property in excess of 10% of their total assets immediately after the Contribution of the Preferred Interests.

Similarly, if the consideration paid to the Trust in connection with the exercise of the Put Option or the Call Option is in the form of shares of AT&T Shares, even though the AT&T Shares would be “qualifying employer securities,” their value may well exceed 10% of the total assets of both Plans, and it may not be in the best interests of the Plans to require an immediate forced sale of such AT&T Shares at any particular point in time.

Section 406(b)(1) of ERISA provides that a fiduciary with respect to a plan shall not deal with the assets of the plan in his or her own interest or for his or her own

account. It is possible that the Contribution could violate that section of ERISA because of any ancillary benefits to AT&T of the excess funding to the Trust.

F. The Exemption Transactions are Customary in the Industry or Class Involved (29 CFR § 2570.34(a)(6)):

A number of prohibited transaction exemptions have been granted by the Department of Labor which expressly permit transactions similar to the transactions subject to this request. **See Prohibited Transaction Exemption 95-25** (60 FR 14006; Mar. 15, 1995), General Motors Corporation (permitting the contribution of publicly traded Class E common stock to defined benefit plan and certain subsequent sales or exchanges of such shares between such plans and General Motors or other plans maintained by General Motors); **Prohibited Transaction Exemption 2003-26** (68 FR 49792, Aug. 19, 2003), Northwest Airlines (permitting (i) the in-kind contribution to certain defined benefit plans of the non-public common stock of a brother-sister company by Northwest (or an affiliate thereof), (ii) the holding of the common stock by the plans, (iii) the sale of the common stock by the plans to Northwest, and (iv) the acquisition, holding, and exercise by the plans of a put option granted to the plans by Northwest); **Prohibited Transaction Exemption 2005-04** (70 FR 5703, Feb. 3, 2005), Wheeling-Pittsburgh Steel Corporation (permitting (i) the initial acquisition of publicly-traded employer stock through the in-kind contribution of such stock, and subsequent in-kind acquisitions of such stock, to a retiree welfare plan for the purpose of pre-funding benefits provided by the plan and (ii) the holding by the plan of the employer stock acquired pursuant to the contributions); **Prohibited Transaction Exemption 2006-19** (71 FR 70992, Dec. 7, 2006), Kaiser Aluminum Corporation (permitting (i) the acquisition by welfare benefit plans of certain publicly traded common stock issued by Kaiser through an in-kind contribution by Kaiser of such stock, for the purpose of prefunding certain welfare benefits, (ii) the holding by the plans of such stock, and (iii) the management of such stock, including the voting and disposition of such stock, by an independent fiduciary designated to represent the interests of the plans with respect to the transactions); **Prohibited Transaction Exemption 2010-08** (75 FR 14192, Mar. 24, 2010), as amended by Prohibited Transaction Exemption 2011-13 (76 FR 34253, June 13, 2011), Ford Motor Company (permitting, in relevant part, (i) the acquisition, holding, and disposition of certain employer securities (which include two Ford notes, warrants to acquire Ford common stock, such stock that may be acquired pursuant to the warrants, and, at Ford's discretion, interests in the wholly-owned LLC holding the notes and warrants) by Ford retiree welfare plans and (ii) certain transactions resulting from the exercise by Ford or the plans of certain rights and obligations under a right of first offer or self-tender; **Prohibited Transaction Exemption 2010-12** (75 FR 21668, Apr. 26, 2010), Chrysler LLC (permitting, in relevant part, (i) the acquisition by a retiree welfare

plans non-public LLC interests of Chrysler and a note issued by Chrysler, (ii) the holding of the LLC interests and then by the plan, (iii) the disposition of the LLC interests and the note, and (iv) the sale by the retiree welfare plans to Fiat (Chrysler's parent corporation) of shares pursuant to its exercise of a call option and/or a first offer right described in a Chrysler operating agreement); and **Prohibited Transaction Exemption 2010-30** (75 FR 62879, Oct. 13, 2010), UAW General Motors Company Retiree Medical Benefits Plan and the UAW Retiree Medical Benefits Trust (permitting, in relevant part, (i) the acquisition by the plan and trust of: (a) shares of common stock of General Motors, (b) shares of non-public Series A Fixed Rate Cumulative Perpetual Preferred Stock of General Motors, (c) a non-public note issued by General Motors and assigned to General Motors Holdings, LLC, (d) non-public warrants to acquire General Motors common stock, and (e) additional shares of General Motors common stock acquired pursuant to (1) the independent fiduciary's exercise of the warrants, and (2) an adjustment, substitution, conversion or other modification of General Motors common stock in connection with a reorganization, restructuring, recapitalization, merger, or similar corporate transaction, subject to certain conditions, (ii) the holding by the plan of such securities, and (iii) the disposition of such securities). Thus, the proposed exemption transactions appear to be customary.

G. The Exemption Transactions are not nor have been the Subject of an Investigation or Enforcement Action by the Department of Internal Revenue Service (29 CFR § 2570.34(a)(7)):

The exemption transactions are not and have not been the subject of investigations or enforcement actions by the Department of Labor or the Internal Revenue Service.

H. Hardship or Economic Loss to the Applicant, the Plans and their Participants and Beneficiaries if the Exemptions Are Denied (29 CFR § 2570.34(a)(8)):

AT&T always has satisfied its funding obligations and has never asked for a waiver of those obligations. In fact, AT&T generally has voluntarily funded its pension obligations in advance of the required dates. For example, AT&T made a voluntary \$1 billion cash contribution in 2011. AT&T's financial statements must show the liabilities for the Plans pursuant to accounting standards. The Contribution, by dedicating an interest in AT&T's most valuable business to the satisfaction of such liabilities, would result in an enhanced financial position for AT&T. By making the Contribution to the Trust, AT&T can increase the funded status of the Plans without diluting shareholder value and without negatively impacting its capital structure or credit rating.

The loss to the Plans if the proposed exemption is denied is that the Plans will not have the enhanced funding level that the Contribution would provide and the Plans will not have the increased cash income generated by the expected \$1.75 annual distribution on each Preferred Interest.

II. INFORMATION PROVIDED PURSUANT TO 29 CFR § 2570.34(b)

A. Required Statements (29 CFR § 2570.34(b)(1)):

1. Explanation as to Why the Exemptions Are Administratively Feasible (29 CFR § 2570.34(b)(1)(i)):

The Contribution is a one-time transaction. During the time that the Plans own the Preferred Interests, the Independent Fiduciary, as independent fiduciary and investment manager, will have investment discretion with respect to the holding and disposition of the Preferred Interests and will act solely in the interests of the Trust, the Plans and their participants and beneficiaries. The Plans will pay no fees or expenses (other than those charged by the Independent Fiduciary as independent fiduciary and investment manager and certain expenses for the Independent Fiduciary's legal counsel), commissions or other expenses in connection with the Contribution or the purchase of the Preferred Interests by AT&T Inc. (or any other Purchaser in the case of the Call Option, as applicable) pursuant to the Put Option or the Call Option. The terms of the Put Option and the Call Option are fixed and have been negotiated at arm's length, and require little additional diligence once a decision to exercise has been made. Thus, administration of the exemption transactions will not result in any extraordinary burden or cost to the Plans and, therefore, the requested exemption is administratively feasible.

2. Explanation as to Why the Exemptions Are in the Interests of the Plans and Their Participants and Beneficiaries (29 CFR § 2570.34(b)(1)(ii)):

The Plans and the Plans' more than 600,000 participants and beneficiaries will benefit from the substantial, additional funding of the Plans. As described above, if the proposed exemption is granted, AT&T Inc. will contribute Preferred Interests in an amount equal to approximately \$9.5 billion to the Trust, which is \$9.2 billion in excess of the legally required contribution. In addition, the Plans and the Plans' participants and beneficiaries will benefit from the expected \$1.75 annual cash distribution on each Preferred Interest.

3. Explanation as to Why the Exemptions Are Protective of the Rights of the Participants and Beneficiaries of the Plans (29 CFR § 2570.34(b)(1)(iii)):

The enhanced funding provided by the Contribution adds protection to the rights of the participants and beneficiaries under the Plans to the timely receipt of benefits. Moreover, the exemption will be conditioned on safeguards that will protect the rights of the Plans' participants and beneficiaries. The Independent Fiduciary, an independent fiduciary, has acted on behalf of the Plans for all purposes related to the exemption transactions and has determined that the exemption transactions are in the Plans' and participants' best interests. In addition, the Independent Fiduciary will retain investment discretion regarding the Plans' continued holding and future disposition of the Preferred Interests, subject to the terms of the Transaction Documents.

B. Notification of Interested Parties (29 CFR § 2570.34(b)(2)):

1. Description of Interested Parties (29 CFR § 2570.34(b)(2)(i)):

The interested parties are the participants of the Plans.

2. Manner in Which Notice Will Be Provided (29 CFR § 2570.34(b)(2)(ii)):

Based on the large number of interested parties, notice will be provided to all interested parties in the manner agreed upon by the Department of Labor and AT&T.

3. Time Frame in Which Notice Will be Provided (29 CFR § 2570.34(b)(2)(iii)):

Based on the large number of interested parties, notice will be provided to all interested parties during the time frame agreed upon by the Department of Labor and AT&T.

C. No Related Advisory Opinion has been Requested (29 CFR § 2570.34(b)(3)):

No advisory opinion has been requested from the Department of Labor with respect to any issue relating to this exemption application.

D. Information Regarding Individuals Signing the Application (29 CFR § 2570.34(b)(4)):

1. Identity (29 CFR § 2570.34(b)(4)(i)):

Robert A. Ferencz and Beth J. Dickstein are partners of Sidley Austin LLP, counsel to AT&T and the Plans.

2. Familiarity with Transactions (29 CFR § 2570.34(b)(4)(ii)):

Robert A. Ferencz and Beth J. Dickstein have advised AT&T and the Plans with respect to the exemption transactions, actively took part in the preparation of this exemption application, and are familiar with all supporting documents.

E. Penalty of Perjury Declaration (29 CFR § 2570.34(b)(5)):

The penalty of perjury declaration is attached as Exhibit A.

III. SPECIALIZED STATEMENTS FROM THE QUALIFIED INDEPENDENT APPRAISER PROVIDED PURSUANT TO 29 CFR § 2570.34(c)

The Independent Fiduciary serves as the qualified independent appraiser acting solely on behalf of the Trust, the Plans, and the Plans' participants and beneficiaries. The information required by 29 CFR § 2570.34(c) is incorporated into its report attached as Exhibit B.

IV. REQUIRED STATEMENTS FROM THE QUALIFIED INDEPENDENT FIDUCIARY PURSUANT TO 29 CFR § 2570.34(d)

The statement required by 29 CFR § 2570.34(d) from the Independent Fiduciary, as the qualified independent fiduciary engaged to represent the interests of the Trust, the Plans, and the participants, including the information required by 29 CFR § 2570.34(d), is attached as Exhibit B.

V. SPECIALIZED STATEMENTS, AS APPLICABLE FROM OTHER THIRD-PARTY EXPERTS PURSUANT TO 29 CFR § 2570.34(e)

No specialized statements from any other third-party expert is included with this application.

Employee Benefits Security Administration
October 18, 2012
Page 20

VI. DRAFT OF THE REQUESTED EXEMPTION PURSUANT TO 29 CFR § 2570.34(f)

A draft of the proposed exemption is attached as Exhibit C.

VII. INFORMATION PROVIDED PURSUANT TO 29 CFR § 2570.35(a)

A. Name of Plan, Telephone Number and Type of Plan to Which the Exemption Applies (29 CFR § 2570.35(a)(1)):

The Trust and Plans participating in the Trust are as follows:

Trust:

SBC Master Pension Trust
AT&T Inc.
208 S. Akard St.
Dallas, TX 75202
(210) 351-3333
Master trust, plan number: 020

Plans:

AT&T Pension Benefit Plan
AT&T Inc.
208 S. Akard St.
Dallas, TX 75202
(210) 351-3333
Defined benefit plan, plan number: 006

AT&T Puerto Rico Pension Benefit Plan
AT&T Inc.
208 S. Akard St.
Dallas, TX 75202
(210) 351-3333
Defined benefit plan, plan number: 007
(Puerto Rico Trust: AT&T Puerto Rico Pension Benefit Plan Trust)

Employee Benefits Security Administration
October 18, 2012
Page 21

B. Employer Identification Number and Plan Number Used by the Plans for Reporting Purposes (29 CFR § 2570.35(a)(2)):

The Employer Identification Number for the Trust is 43-1301883. The Plan numbers for both of the Plans are set forth in the response contained in Part VII.A. above.

C. No Prior Violations of the Exclusive Benefit Rule (29 CFR § 2570.35(a)(3)):

Neither the Trust nor the Plans have been found by the Department of Labor, the Internal Revenue Service, or a court to have violated the exclusive benefit rule of section 401(a) of the Code, section 4975(c)(1) of the Code, section 406 or 407(a) of ERISA or 5 U.S.C. 8477(c)(3).

D. Description of Prior Prohibited Transaction Exemption Relief Has Been Requested or Granted (29 CFR § 2570.35(a)(4)):

Predecessors in interest to certain of the Plans and to AT&T received PTE 84-142. We are not aware of any other exemptions.

E. No Prior Lawsuits or Criminal Actions Concerning Conduct as a Fiduciary or Party in Interest (29 CFR § 2570.35(a)(5)):

Neither AT&T nor the Issuer is currently, or has been within the last five years, a defendant in any lawsuit or criminal action concerning conduct as a fiduciary or party in interest with respect to any plan.

F. No Prior Criminal Convictions (29 CFR § 2570.35(a)(6)):

Neither AT&T nor the Issuer has, within the last thirteen years, been either convicted or released from imprisonment, whichever is later, as a result of: any felony involving abuse or misuse of such person's position or employment with an employee benefit plan or a labor organization; any felony arising out of the conduct of the business of a broker, dealer, investment adviser, bank, insurance company or fiduciary; income tax evasion; any felony involving the larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds or securities; conspiracy or attempt to commit any such crimes or a crime of which any of the foregoing crimes is an element; or any other crime described in section 411 of ERISA.

G. No Prior Investigations, Examinations or Litigation Involving the Department, the Service the Justice Department, the Pension Benefit

Guaranty Corporation or the Federal Retirement Thrift Investment Board (29 CFR § 2570.35(a)(7)):

Neither the Plans, AT&T, nor the Issuer have been, within the last five years, under investigation or examination by, or have been engaged in litigation or a continuing controversy with, the Department of Labor, the Internal Revenue Service, the Justice Department, the Pension Benefit Guaranty Corporation, or the Federal Retirement Thrift Investment Board involving compliance with the provisions of ERISA, provisions of the Code relating to employee benefits plans, or provisions of the Federal Employees' Retirement System Act of 1986, as amended (FERSA), relating to the Federal Thrift Saving Fund, other than routine regulatory audits.

H. No Reportable Events (29 CFR § 2570.35(a)(8)):

None of the Plans have experienced a "reportable event," as defined in section 4043 of ERISA.

I. No Notice of Intent to Terminate (29 CFR § 2570.35(a)(9)):

No notice of intent to terminate has been filed under section 4041 of ERISA with respect to the Plans.

J. Names, Addresses, and Taxpayer Identification Numbers of Parties in Interest (29 CFR § 2570.35(a)(10)):

AT&T Inc.
208 S. Akard St.
Dallas, TX 75202
EIN: 43-1301883

AT&T Mobility II LLC
1025 Lenox Park Blvd, NE
Atlanta, GA, 30319
EIN: 84-1659970

K. Estimated Number of Participants and Beneficiaries Affected (29 CFR § 2570.35(a)(11)):

Below is the approximate number of participants and beneficiaries affected by the requested exemption as of the date of the application for each Plan:

AT&T Pension Benefit Plan	602,752
AT&T Puerto Rico Pension Benefit Plan	1,514

L. Percentage of Fair Market Value of Total Assets of Each Affected Plan (29 CFR § 2570.35(a)(12)):

Below is the percentage of the fair market value of the total assets of each participating plan that will be invested in the Preferred Interests after the consummation of the Contribution:

AT&T Pension Benefit Plan	18%
AT&T Puerto Rico Pension Benefit Plan	18%

M. Transactions Have Not Yet Been Consummated (29 CFR § 2570.35(a)(13)):

The exemption transactions have not yet been consummated.

N. Additional Information if the Transaction Has Already Been Consummated (29 CFR § 2570.35(a)(14)):

This additional information is not required to be provided since the transactions have not yet been consummated.

O. Names of Persons Who Have Investment Discretion Over Any Assets Involved in the Transactions and the Relationship of Each Such Person to the Parties in Interest Involved in the Transactions and the Respective Affiliates (29 CFR § 2570.35(a)(15)):

The Independent Fiduciary will have sole investment discretion over the Contribution and the ongoing management and disposition of the Preferred Interests while they are held by the Trusts, subject to the terms of the Transaction Documents. The Independent Fiduciary has no relationship to any of the parties interest involved in the exemption transactions or to any of their respective affiliates.

P. Description of Loans and Leases to Parties in Interest Involved in the Exemption Transactions, and Investments in Securities Issued by any Such Party In Interest (29 CFR § 2570.35(a)(16)):

The assets of the Trust are invested, in part, in employer securities issued by AT&T. As of the 2011 year-end, the aggregate fair market value of these investments was \$68,334,000, which constituted approximately 0.15% of the fair market value of the Trust's total assets. It is AT&T's belief that these investments are covered under the statutory exemption described in section 408(e) of ERISA.

Q. Approximate Fair Market Value of Each of the Plan's Total Assets (29 CFR § 2570.35(a)(17)):

Below is the approximate fair market value of the total assets of the Plans as of the 2011 year-end (and prior to the Contribution):

AT&T Pension Benefit Plan	\$45.9 billion
AT&T Puerto Rico Pension Benefit Plan	\$21 million

R. Persons Who Will Bear the Costs of this Application and of Notifying the Interested Persons (29 CFR § 2570.35(a)(18)):

AT&T will bear all costs of this exemption application, including any costs of providing notice to interested persons.

S. Names of Persons Who Will Bear the Costs of the Fees Payable to the Independent Fiduciary (29 CFR § 2570.35(a)(19)):

The fees and expenses related to the Independent Fiduciary's services as the independent fiduciary with respect the exemption transactions are borne by the Plans. For convenience, AT&T may pay the Independent Fiduciary's fees and expenses and will be reimbursed by the Plans.

VIII. INFORMATION PROVIDED PURSUANT TO 29 CFR § 2570.35(b)

A. Copies of Documents 29 CFR § 2570.35(b)(1):

All relevant documents are attached as Exhibit D.

B. Discussion of Relevant Documents 29 CFR § 2570.35(b)(2):

The attached documents and their relationship to the requested exemption is as follows:

1. **Independent Fiduciary Agreement:** This document contains the terms and conditions that govern the duties of the Independent Fiduciary as the independent fiduciary with respect to the Plans' decision to accept the Preferred Interests and AT&T's obligations to cooperate with the Independent Fiduciary in carrying out its duties. This document was executed by AT&T Services, Inc., an affiliate of AT&T Inc., that acts as the administrator and named fiduciary of the Plans. Pursuant to this agreement, the Independent Fiduciary has negotiated the terms of the Preferred Interests and the Contribution Agreement, which includes the Put Option and the Call Option.
2. **Contribution Agreement:** This document contains the provisions relating to the acceptance by the Plans of the Preferred Interests and AT&T's (and other Purchasers') commitments with respect thereto, including the Put Option, the Call Option and AT&T's obligation to register any AT&T Shares that are received by the Plans pursuant to exercise of the Put Option or the Call Option.
3. **Investment Management Agreement:** This document contains the terms and conditions pursuant to which the Independent Fiduciary is engaged as independent fiduciary to manage the Plans' rights and obligations with respect to the holding and disposition of the Preferred Interests once they have been contributed to the Trust.
4. **Registration Rights Agreement:** This document contains the terms and conditions relating to the rights of the Trust to cause AT&T Inc. to register any AT&T Shares that are received by the Plans pursuant to exercise of the Put Option or the Call Option.

C. Most Recent Financial Statements for the Plans 29 CFR § 2570.35(b)(3):

The most recent financial statements for the Plans are attached as Exhibit E.

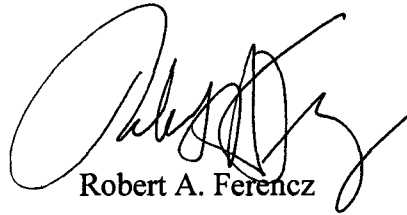
Employee Benefits Security Administration
October 18, 2012
Page 26

D. No Net Worth Statement Required 29 CFR § 2570.35(b)(4):


Because no party in interest is providing a personal guarantee with respect to the exemption transactions, no net worth statement is required pursuant to 29 CFR § 2570.35(b)(4).

If you have any questions regarding this application, please contact Robert A. Ferencz at (312) 853-7682 or Beth J. Dickstein at (312) 853-6093, both of whom have authority to address any questions from the Department regarding this exemption application.

Very truly yours,



Robert A. Ferencz



Beth J. Dickstein

Power of Attorney and Declaration of Representative

OMB No. 1545-0150

For IRS Use Only

Received by: _____

Name _____

Telephone _____

Function _____

Date / / _____

▶ Type or print. ▶ See the separate instructions.

Part I Power of Attorney

Caution: A separate Form 2848 should be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.

1 Taxpayer information. Taxpayer must sign and date this form on page 2, line 7.

Taxpayer name and address AT&T Inc.	Taxpayer identification number(s) <p style="text-align: center;">43-1301883</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Daytime telephone number 214-757-8090</td> <td style="width: 50%;">Plan number (if applicable) 020, 006, 007</td> </tr> </table>	Daytime telephone number 214-757-8090	Plan number (if applicable) 020, 006, 007
Daytime telephone number 214-757-8090	Plan number (if applicable) 020, 006, 007		

hereby appoints the following representative(s) as attorney(s)-in-fact:

2 Representative(s) must sign and date this form on page 2, Part II.

Name and address Robert A. Ferencz Sidley Austin LLP One South Dearborn Chicago, IL 60603	CAF No. _____ PTIN _____ Telephone No. 312-853-7682 Fax No. 312-853-7036
Check if to be sent notices and communications <input checked="" type="checkbox"/>	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address Beth J. Dickstein Sidley Austin LLP One South Dearborn Chicago, IL 60603	CAF No. _____ PTIN _____ Telephone No. 312-853-6093 Fax No. 312-853-7036
Check if to be sent notices and communications <input checked="" type="checkbox"/>	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address _____	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>

to represent the taxpayer before the Internal Revenue Service for the following matters:

3 Matters

Description of Matter (Income, Employment, Payroll, Excise, Estate, Gift, Whistleblower, Practitioner Discipline, PLR, FOIA, Civil Penalty, etc.) (see instructions for line 3)	Tax Form Number (1040, 941, 720, etc.) (if applicable)	Year(s) or Period(s) (if applicable) (see instructions for line 3)
2012 Application for Prohibited Transaction Exemption	N/A	N/A

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for Line 4. **Specific Uses Not Recorded on CAF**

5 Acts authorized. Unless otherwise provided below, the representatives generally are authorized to receive and inspect confidential tax information and to perform any and all acts that I can perform with respect to the tax matters described on line 3, for example, the authority to sign any agreements, consents, or other documents. The representative(s), however, is (are) not authorized to receive or negotiate any amounts paid to the client in connection with this representation (including refunds by either electronic means or paper checks). Additionally, unless the appropriate box(es) below are checked, the representative(s) is (are) not authorized to execute a request for disclosure of tax returns or return information to a third party, substitute another representative or add additional representatives, or sign certain tax returns.

- Disclosure to third parties;
 Substitute or add representative(s);
 Signing a return; _____
 Other acts authorized: _____

(see instructions for more information)

Exceptions. An unenrolled return preparer cannot sign any document for a taxpayer and may only represent taxpayers in limited situations. An enrolled actuary may only represent taxpayers to the extent provided in section 10.3(d) of Treasury Department Circular No. 230 (Circular 230). An enrolled retirement plan agent may only represent taxpayers to the extent provided in section 10.3(e) of Circular 230. A registered tax return preparer may only represent taxpayers to the extent provided in section 10.3(f) of Circular 230. See the line 5 instructions for restrictions on tax matters partners. In most cases, the student practitioner's (level k) authority is limited (for example, they may only practice under the supervision of another practitioner).

List any specific deletions to the acts otherwise authorized in this power of attorney: _____

6 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here **YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.**

7 Signature of taxpayer. If a tax matter concerns a year in which a joint return was filed, the husband and wife must each file a separate power of attorney even if the same representative(s) is (are) being appointed. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

▶ IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED TO THE TAXPAYER.

Signature: *Jonathan P. Klug* Date: 10/17/12 Treasurer: _____ Title (if applicable): _____

Print Name: Jonathan P. Klug PIN Number: Print name of taxpayer from line 1 if other than individual: AT&T Inc.

Part II Declaration of Representative

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Circular 230 (31 CFR, Part 10), as amended, concerning practice before the Internal Revenue Service;
- I am authorized to represent the taxpayer identified in Part I for the matter(s) specified there; and
- I am one of the following:
 - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b Certified Public Accountant—duly qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c Enrolled Agent—enrolled as an agent under the requirements of Circular 230.
 - d Officer—a bona fide officer of the taxpayer's organization.
 - e Full-Time Employee—a full-time employee of the taxpayer.
 - f Family Member—a member of the taxpayer's immediate family (for example, spouse, parent, child, grandparent, grandchild, step-parent, step-child, brother, or sister).
 - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Internal Revenue Service is limited by section 10.3(d) of Circular 230).
 - h Unenrolled Return Preparer—Your authority to practice before the Internal Revenue Service is limited. You must have been eligible to sign the return under examination and have signed the return. See Notice 2011-6 and Special rules for registered tax return preparers and unenrolled return preparers in the instructions.
 - i Registered Tax Return Preparer—registered as a tax return preparer under the requirements of section 10.4 of Circular 230. Your authority to practice before the Internal Revenue Service is limited. You must have been eligible to sign the return under examination and have signed the return. See Notice 2011-6 and Special rules for registered tax return preparers and unenrolled return preparers in the instructions.
 - k Student Attorney or CPA—receives permission to practice before the IRS by virtue of his/her status as a law, business, or accounting student working in LITC or STCP under section 10.7(d) of Circular 230. See instructions for Part II for additional information and requirements.
 - r Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.3(e)).

▶ IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED. REPRESENTATIVES MUST SIGN IN THE ORDER LISTED IN LINE 2 ABOVE. See the instructions for Part II.

Note: For designations d-f, enter your title, position, or relationship to the taxpayer in the "Licensing jurisdiction" column. See the instructions for Part II for more information.

Designation— Insert above letter (a-r)	Licensing jurisdiction (state) or other licensing authority (if applicable)	Bar, license, certification, registration, or enrollment number (if applicable). See instructions for Part II for more information.	Signature	Date
a	IL	0794228	<i>[Signature]</i>	10/18/12
a	IL	6198644	Beth J. Dick	10-18-12

**EXHIBITS TO EXEMPTION APPLICATION
ON BEHALF OF
AT&T INC.**

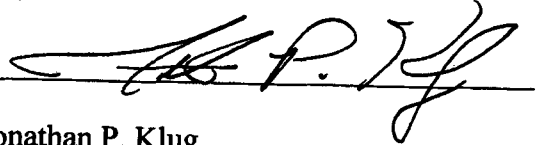
EXHIBIT A

DECLARATION UNDER PENALTY OF PERJURY

Under penalty of perjury, I declare that I am familiar with the matters discussed in this application and, to the best of my knowledge and belief, the representations made in this application are true and correct.

AT&T Inc.

By: _____

A handwritten signature in black ink, appearing to read 'Jonathan P. Klug', written over a horizontal line.

Name: Jonathan P. Klug

Dated: October 18, 2012

EXHIBIT B

**STATEMENTS OF THE INDEPENDENT APPRAISER
AND INDEPENDENT FIDUCIARY**

The specialized statements required by 29 CFR § 2570.34(c) from Brock Fiduciary Services LLC, acting as the qualified independent appraiser, and the statement required by 29 CFR § 2570.34(d) from Brock Fiduciary Services LLC, acting as the independent fiduciary, are attached hereto.



October 18, 2012

Employee Benefits Security Administration
Office of Exemption Determination
U.S. Department of Labor
Room N-5700
200 Constitution Avenue NW.
Washington, DC 20210
e-OED@dol.gov

Re: Valuation of the Preferred Interests

Dear Sir or Madam:

In accordance with our engagement as independent fiduciary for the proposed contribution of preferred membership interests (each a "Preferred Interest" and collectively, the "Preferred Interests") of AT&T Mobility II LLC (the "Issuer") to the SBC Master Pension Trust (the "Trust") pursuant to the Independent Fiduciary Agreement by and among AT&T Inc., AT&T Services, Inc. and Brock Fiduciary Services LLC, effective as of May 1, 2012, we have been asked to provide a valuation of the Preferred Interests as of [date of contribution]. The Preferred Interests consist of 320 million Series A Cumulative Perpetual Preferred Membership Interests.

We consent that this valuation will be submitted to the U.S. Department of Labor as part of the application by AT&T Inc. for a prohibited transaction exemption with respect to the contribution of the Preferred Interests.

On the basis of the analyses summarized below, it is our opinion that, as of [date of contribution], the fair market value of the Preferred Interests was \$9.573 billion (or \$29.91 per Preferred Interest). This value represents our best estimate of the cash price that could have been agreed to for these securities as of the date between a willing seller and a willing buyer, neither of whom was under any compulsion to consummate a transaction.

Description of Brock Fiduciary Services LLC

Brock Fiduciary Services LLC ("Brock") is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Brock is a wholly owned subsidiary of Brock Capital Group LLC. Brock has extensive experience as an appraiser of the value of non-publicly traded securities, including securities of the same type as the Preferred Interests. Brock, as the independent fiduciary, performs an annual valuation of the notes and common shares contributed by Chrysler Group LLC to the UAW Retiree Medical Benefits Trust. Brock plays a similar role as independent fiduciary for the trust with respect to the common stock, preferred stock, and warrants contributed by General Motors Company. The combined value of the employer securities held in the UAW Retiree Medical Benefits Trust for which Brock is the independent fiduciary is approximately \$20 billion. Brock delivers updated valuations of the securities to the trustees on an annual basis.

Brock calls upon the services of members of Brock Capital Group LLC who can provide the expertise required to appraise the value of employer securities contributed to employee benefit plans. Brock independent fiduciary team members include Stephen R. Wilson (former CFO of RJR Nabisco, The Reader's Digest Association, and Reckitt & Colman plc), Steven C. Baum (former Managing Partner of Marks Paneth & Shron), Norman H. Brown Jr. (former Managing Director of Donaldson Lufkin & Jenrette), Anthony A. Dreyspool (ERISA attorney and author of the book *ERISA Fiduciary Law for Non-Lawyers*), Alain Lebec (former Vice Chairman of Merrill Lynch Investment Banking), Donald C. Walkovik (former Senior Partner of Sullivan & Cromwell), and Charles O. Svenson (former attorney and investment banker with Dewey Ballantine, Goldman Sachs, and Donaldson Lufkin & Jenrette).

Brock has been appointed the independent fiduciary and investment manager with respect to the Preferred Interests and has full discretion to manage that portion of the Trust's assets. Because Brock will exercise all authority and control over the Preferred Interests, neither AT&T Inc. nor any of its subsidiaries is in a position to derive any special benefit from control of the Preferred Interests.

Valuation Methodology

In estimating the fair market value of the Preferred Interests, we have applied valuation methodologies that are generally accepted, including a discounted cash flow analysis of the Preferred Interests' expected distributions and purchase proceeds, reviewed relevant investment and financial studies, and conducted other such analyses deemed appropriate. In our discounted cash flow analysis, we have considered the appropriate discount rate at which the Preferred Interests' distributions should be valued as of [date of contribution], the credit quality of AT&T Inc. and the Issuer, an appropriate valuation discount because the Preferred Interests are not publicly traded and therefore, illiquid, and a further liquidity discount because a purchase of the Preferred Interests may be settled in the form of unregistered AT&T Inc. common equity.

In connection with this valuation, we have also reviewed various documents, including, among others, (1) the Limited Liability Company Agreement of AT&T Mobility II LLC; (2) a document entitled

“2013 10 Year Plan, Mobility” dated May 2012 and marked as “AT&T Intellectual Property”; (3) a document entitled “AT&T Inc. Balance Sheet Array Report” dated December 31, 2011 and marked “AT&T Proprietary,” and its update on March 31, 2012; and (4) quarterly and annual consolidated financial statements of AT&T Inc. as of and for the periods ended December 31, 2008 to June 30, 2012.

Valuation of the Preferred Interests

The Preferred Interests carry a distribution payment of \$1.75 per Preferred Interest per annum payable in quarterly installments, are cumulative, and are callable on or after [first call date] at \$25.00 per Preferred Interest plus any accrued and unpaid distributions. The Preferred Interests may also be called or putted before [first call date], under certain circumstances as defined in the Contribution Agreement, at the greater of fair market value, without respect to the call or put before [first call date], and \$25.00 per Preferred Interest plus any accrued and unpaid distributions. Please refer to Appendix 1 for the Contribution Agreement and a Term Sheet summary of the terms and conditions of the Preferred Interests. As will be discussed below, it is our view that the Preferred Interests’ above market distribution rate is such that each Interest would trade at a significant premium to \$25.00. As a result, any buyer of the Preferred Interests would assume that AT&T Inc. would purchase the Preferred Interests on the earliest occasion, i.e., five years from the contribution date.

Discount Rate

Our valuation of the Preferred Interests is based on a computation of the net present value of the expected distribution payments and proceeds from any call or put of the Preferred Interests using a discount rate that reflects (1) the credit rating that the Preferred Interests would likely obtain, (2) the five-year assumed remaining term as of the valuation date, and (3) an appropriate discount for lack of liquidity since the Preferred Interests are not publicly traded.

As of October __, 2012, AT&T Inc. carried corporate credit ratings of ‘A-’ (stable outlook) from Standard & Poor’s, ‘A2’ (stable outlook) from Moody’s, and ‘A’ (stable outlook) from Fitch; the Issuer carried credit ratings of ‘A-’ (stable outlook) from Standard & Poor’s and ‘A’ (stable outlook) from Fitch. As a security ranking junior to the Issuer’s debt, we expect that the Preferred Interests would in all likelihood be assigned a credit rating in the range of A2/A to Baa1/BBB+. We believe the Issuer has a strong capacity to pay the distributions on the Preferred Interests, given the Issuer’s current financial obligations and EBITDA, which is approximately 40 times the level of the preferred distributions in 2013E.

In order to establish the yield at which the Preferred Interests would likely trade were they publicly traded, we have analyzed the pricing of fixed income securities issued by AT&T Inc. and Verizon Communications Inc., as well as their subsidiaries. Comparative pricing of fixed income securities is typically described using two measures: (1) absolute yield and (2) the corresponding spread over Treasury securities of equivalent maturity. Because the fixed income securities may be subject to prepayment at the option of the issuer at certain dates, investors focus on “Yield to Worst” (“YTW”) and

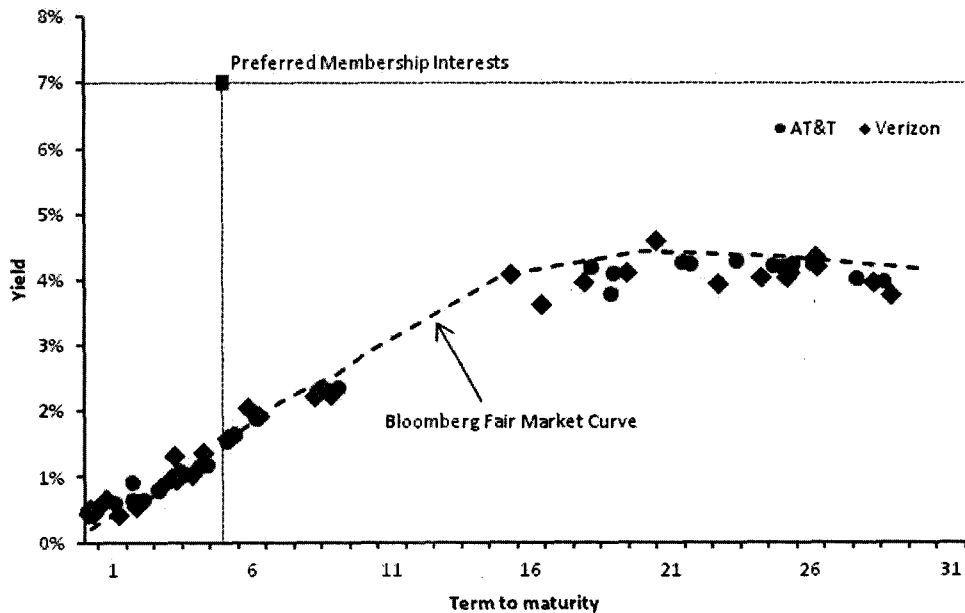
the corresponding "Spread to Worst" ("STW"), which reflect the lowest yield they would realize on an investment in the security considering the earliest prepayment or redemption options available to the issuer. Figure 1 below presents the yields and spreads of Bloomberg's fair market value indices for telephone bonds and a composite of bonds across several industries. Bloomberg's index for the telephone industry is comprised of bond issues from AT&T Inc. and Verizon Communications Inc., including their subsidiaries. Figure 2 compares the 7.00% distribution payment rate (\$1.75 divided by \$25.00) of the Preferred Interests with the yields on Bloomberg's telephone industry bond index, illustrating that the Preferred Interests' distribution payment rate is significantly above the yields on comparable fixed income securities.

Figure 1: Bond Index Summary

	U.S. Treasury	Phone Bond Yields		Composite Bond Yields		Phone Bond Spreads (BP)			Composite Bond Spreads (BP)		
		A Rated	A Rated	BBB Rated		A Rated	A Rated	BBB Rated			
1 year	0.18%	0.42%	0.59%	1.26%	1 year	23	41	108			
2 year	0.26%	0.60%	0.84%	1.62%	2 year	35	58	137			
3 year	0.33%	0.83%	1.09%	1.97%	3 year	51	76	165			
4 year	0.52%	1.15%	1.42%	2.31%	4 year	63	91	180			
5 year	0.70%	1.53%	1.74%	2.62%	5 year	83	104	193			
7 year	1.05%	2.14%	2.33%	3.16%	7 year	109	128	211			
8 year	1.24%	2.36%	2.55%	3.39%	8 year	112	131	215			
9 year	1.43%	2.55%	2.75%	3.55%	9 year	112	132	212			
10 year	1.64%	2.85%	2.96%	3.73%	10 year	121	132	208			
15 year	2.22%	4.06%	3.75%	4.28%	15 year	184	153	205			
20 year	2.41%	4.43%	4.05%	4.49%	20 year	201	163	207			
25 year	2.56%	4.37%	4.14%	4.51%	25 year	181	158	195			
30 year	2.66%	4.16%	4.06%	4.58%	30 year	151	141	193			

Source: Brock Fiduciary Services LLC analysis, Bloomberg (Pricing as of 8/3/2012)

Figure 2: Telephone Industry Bond Yields

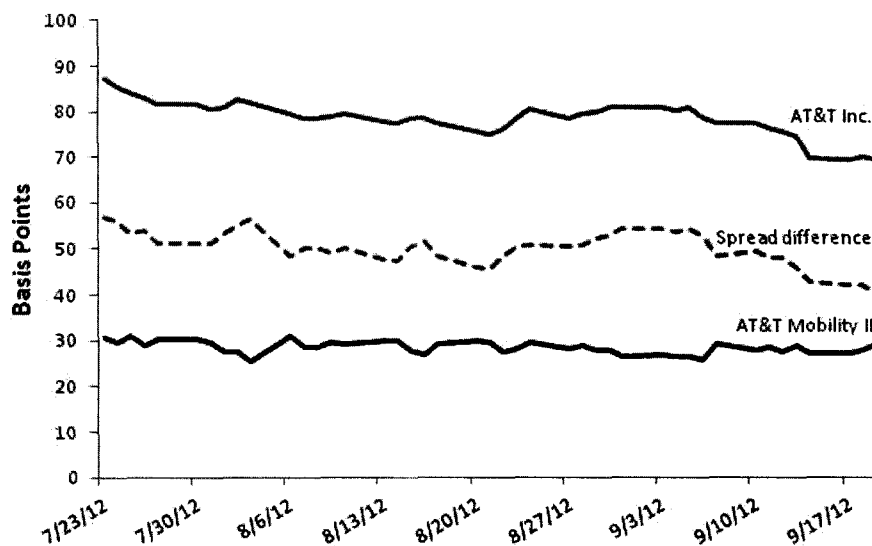


Notes: Bloomberg's Fair Market Curve for the telephone industry is derived from AT&T and Verizon bonds
 Source: Brock Fiduciary Services LLC analysis, Bloomberg (Pricing as of 8/3/2012), company reports

Our yield benchmark in Figure 2, particularly at five-year maturity, is comprised of bonds primarily issued at the parent company level. The senior unsecured debt of AT&T Inc. is structurally subordinate to the debt of the Issuer, and, therefore, the debt of the Issuer should trade at a narrower spread, in our opinion. According to Bloomberg, the five-year credit default swap¹ of the Issuer trades at a spread that is on average 50 basis points lower than that of AT&T Inc. for the period between ___ and ___ (Figure 3). As such, we believe the discount rate for the Preferred Interests should be adjusted lower, relative to the Bloomberg yield benchmark in Figure 2, by approximately 50 basis points.

¹A credit default swap is an agreement in which the seller agrees to compensate the buyer in the event of a loan default, effectively transferring credit risk between parties.

Figure 3: Credit Default Swap Spreads (Five-Year Maturity)



Notes: Brock Fiduciary Services LLC analysis, Bloomberg, company reports

Also, given that our yield benchmark is for senior unsecured corporate bonds, we have added an additional credit spread to our discount rate to account for the degree of subordination of preferred stock to senior unsecured debt. According to Moody's Investors Services, at an equivalent issuer credit rating, the historical average dividend impairment rate for preferred stocks is higher than the probability of default for corporate bonds because issuers generally can omit dividends without triggering a default or bankruptcy, and preferred stocks generally have lower recovery rates than corporate bonds do. Therefore, the Preferred Interests would likely have a credit spread against the Issuer's corporate bonds if they were publicly traded.

To determine the appropriate credit spread between preferred stock and senior unsecured bonds, we have estimated the theoretical minimum implied credit spread to Treasuries of both types of securities, using historically observed data to estimate default probabilities and recovery rates (Appendix 2). Based on this analysis, an 'A' rated issuer should have a minimum credit spread between cumulative preferred stock and senior unsecured bonds of ~39 basis points for securities with five years to maturity (Figure 4, Figure 5, Figure 6). This relative credit spread is equivalent to notching a preferred stock's credit rating one to two levels below that of the same issuer's senior unsecured bonds.

The model of corporate spreads that we use generally underestimates spreads over the risk free rate, compared to actual corporate bonds, because it does not account for other factors that determine spreads, such as liquidity. However, in our opinion, the model we use is appropriate for this analysis because we are using it to estimate *relative* credit spreads between bonds and preferred stock, while holding factors like liquidity constant.

Figure 4: Average Cumulative Dividend Impairment Rates on Preferred Equity, by Rating

Years	Aa	A	Baa	Ba	B
1	0.0%	0.7%	1.5%	5.4%	11.2%
2	0.0	1.0	2.6	10.6	20.8
3	0.0	1.8	5.9	15.0	31.0
4	2.8	2.7	7.3	17.4	38.5
5	3.9	3.2	9.1	20.1	40.9
6	5.1	3.2	10.5	21.2	49.5
7	5.1	3.9	10.5	26.2	54.0
8	5.1	5.2	11.3	27.8	57.5
9	5.1	5.2	12.4	31.6	69.6
10	5.1	6.1	12.4	31.6	69.6

Source: Moody's Investors Service, based on data from 1980 to 1994

Figure 5: Average Cumulative Issuer-Weighted Global Default Rates, by Rating

Years	Aaa	Aa	A	Baa	Ba	B
1	0.00%	0.02%	0.06%	0.18%	1.16%	4.47%
2	0.01	0.06	0.18	0.51	3.19	10.43
3	0.01	0.10	0.36	0.93	5.60	16.33
4	0.04	0.18	0.55	1.43	8.15	21.51
5	0.10	0.27	0.76	1.95	10.45	26.17
6	0.17	0.36	0.98	2.50	12.58	30.56
7	0.24	0.44	1.24	3.03	14.44	34.72
8	0.32	0.51	1.54	3.58	16.30	38.35
9	0.40	0.56	1.84	4.20	18.18	41.65
10	0.49	0.62	2.14	4.90	20.10	44.57

Source: Moody's Investors Service, based on data from 1970 to 2010

Figure 6: Theoretical Minimum Credit Yield Spreads by Lien Position (Five-Year Maturity)

	Avg. recovery rates ¹	Minimum credit spread
Sr. secured bonds	52%	0.07%
Sr. unsecured bonds	37%	0.10%
Non-trust preferred stock ²	23%	0.50%
Cumulative ³	26%	0.48%
Noncumulative ³	19%	0.53%

1: Average issuer-weighted recovery rates as measured by post-default trading prices (covers period of 1982-2007 for bonds and 1983-2007 for preferred stock)

2: Recovery rates listed for preferred stock are associated with or follow a broader default

3: Cumulative and noncumulative preferred stock recovery rates are approximations based on data from Moody's Investors Services

Source: Moody's Investors Services, Brock Fiduciary Services LLC analysis

In light of the above data, we conclude that the Preferred Interests, if they were publicly traded, would probably trade at a spread over Treasury securities of approximately 62-82 basis points, which is calculated based on the credit spread of five-year maturity 'A' rated telephone bonds (73-93 basis points from Figure 1) after adjusting for the narrower credit spreads of the Issuer relative to AT&T Inc. (-50 basis points) and the expected higher impairment rate and lower recovery rate of the Preferred Interests relative to senior unsecured debt of the Issuer (+39 basis points).

To account for the relative lack of transferability of the Preferred Interests, we also believe that an additional spread is necessary since illiquid fixed income securities earn higher yield spreads, all else constant. For example, investment grade bonds in the bottom 5% of liquidity trade at a higher yield spread of 40-60 basis points, all else constant². The magnitude of a liquidity discount should be based on the expected direct and indirect transaction costs over the holding period of the asset: this includes brokerage fees, the bid/ask spread, market impact, and opportunity cost. For a restricted security, such as the Preferred Interests, the opportunity cost of not being able to trade during the restricted period is of particular importance. However, the economic benefits of being able to trade a fixed income security during the restricted period can be synthetically created by an investor, such as through entering into hedging agreements and borrowing cash—and these costs can be estimated. Based on academic and industry research, in addition to our business judgment, we believe that an additional 50 basis points for illiquidity is appropriate, resulting in a total spread range of 112 to 132 basis points.

With five-year Treasury securities yielding 0.70%, we therefore arrive at a discount rate for the quarterly distribution and call or put option proceeds of between 1.82% and 2.02%. Because the Preferred Interests pay distributions quarterly (vs. semiannual coupon payments for fixed income securities used for benchmarking), the discount rates were adjusted from their semiannual compounding values to the equivalent quarterly compounding values of 1.81% and 2.01%.

²Bao, J., Pan, J., and Wang, J. (2011), The Illiquidity of Corporate Bonds. *The Journal of Finance*, vol. 66: 911-946.

Liquidity Discount on Call or Put Option Proceeds

Because the Preferred Interests may be settled in unregistered shares of AT&T Inc. common stock ("AT&T Shares"), an additional liquidity discount should be applied to the expected value of the settlement proceeds, in our view. As Figure 7 indicates, empirical studies have found liquidity discounts on restricted stock ranging from 13% to 45%, with the most recent studies in the 20% and 30% range. According to these same studies, firms with high profitability and sales volume have liquidity discounts in the 11% to 13% range on their restricted stock. Given that (1) there is a registration obligation within 180 days if settlement is in AT&T Shares, (2) AT&T Inc. is a high quality company in our view, and (3) the settlement may be in cash if elected by AT&T Inc., we view a liquidity discount range of 0% to 10% for the purposes of valuing the settlement proceeds as appropriate.

Figure 7: Empirical Studies of Liquidity Discounts on Restricted Stock

Study	Time period	Sample size	Median discount
Institutional Investor Study Report (1971)	1966-1969	398	25.8%
Gelman (1972)	1968-1970	89	33.0%
Trout (1972)	1968-1972	N/A	33.5%
Morony (1973)	1969-1972	146	35.6%
Maher (1976)	1969-1973	N/A	35.4%
Standard Research Consultants (1983)	1978-1982	N/A	45.0%
Wruck (1989)	1979-1985	99	13.5%
Hertzel and Smith (1993)	1980-1987	106	20.1%
Oliver and Meyers (2000)	1980-1996	53	27.0%
Willamette Management Associates Inc., cited in Pratt (2001)	1981-1984	N/A	31.2%
Silber (1991)	1981-1988	69	33.8%
Management Planning, Inc., cited in Pratt (2005)	1980-1995	N/A	28.9%
Hall and Polacek (1994)	1979-1992	N/A	23.0%
Johnson (1999)	1991-1995	72	20.0%
Aschwald (2000)	1996-1997	23	21.0%
Aschwald (2000)	1997-1998	15	13.0%
Finnerty (2002)	1991-1997	101	20.1%

Source: DePamphilis, Donald. *Mergers, Acquisitions, and Other Restructuring Activities, Fifth Edition*. Academic Press, 2010, pp. 385.

Valuation Range

Applying a discount rate of between 1.81% and 2.01% to the distribution and settlement proceeds, and taking an additional liquidity discount on the settlement proceeds of between 0% and 10%, we value the Preferred Interests as of [date of contribution] at between \$9.170 billion and \$9.979 billion (or \$28.66 per Preferred Interest and \$31.18 per Preferred Interest, respectively), with a mid-point of \$9.573 billion (or \$29.91 per Preferred Interest).

Appendix 1

CONTRIBUTION AGREEMENT

This Contribution Agreement (the "Agreement") is entered into as of the __ day of _____, 201_, by and among Brock Fiduciary Services LLC (the "Independent Fiduciary"); JP Morgan Chase Bank, N.A., as trustee of the SBC Master Pension Trust (the "Trustee"); AT&T Inc.; and AT&T Mobility II LLC, an indirect wholly owned subsidiary of AT&T, Inc. (the "Issuer").

RECITALS

WHEREAS, AT&T Inc., formerly known as SBC Communications Inc., is a holding company incorporated under the laws of the State of Delaware;

WHEREAS, AT&T Inc. proposes to make an in-kind contribution (the "Contribution") of 320 million cumulative perpetual preferred membership interests (each a "Preferred Interest" and collectively, the "Preferred Interests") of the Issuer currently held by AT&T Inc., which Preferred Interests are described in and subject to the terms and conditions of the attached Schedule A, to the SBC Master Pension Trust (the "Trust"), which holds assets of the pension plans maintained by AT&T Inc. identified in the Declaration of Trust establishing such Trust (collectively, the "Plans");

WHEREAS, the Preferred Interests were issued to AT&T Inc. pursuant and subject to the terms and conditions of that certain Third Amended and Restated Limited Liability Company Agreement of AT&T Mobility II LLC (the "LLC Agreement");

WHEREAS, AT&T Inc. has received from the U.S. Department of Labor ("Labor Department") Prohibited Transaction Exemption No. _____, __ Fed. Reg. _____ (201_) granting relief from certain prohibited transaction provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the parallel provisions of section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") (the "PTE");

WHEREAS, in connection with the making of the Contribution and in anticipation of the requirements of the PTE, AT&T Services, Inc. has retained the Independent Fiduciary as named fiduciary and investment manager with respect to the Preferred Interests to be held by the Trust pursuant to an Independent Fiduciary Agreement dated as of May 1, 2012 and an Investment Management Agreement dated as of _____, 201_; and

WHEREAS, the parties hereto propose to set out the terms and conditions applicable to the Contribution and the holding of the Preferred Interests by the Trust.

AGREEMENT

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

1. AT&T Inc. hereby contributes the Preferred Interests to the Trust as an addition to the Plans' assets and in consideration of a reduction of AT&T Inc.'s funding obligation with respect to the Plans, effective as of the date of this Agreement (the "Contribution Date"). By

executing this Agreement, the Independent Fiduciary accepts the Preferred Interests on behalf of the Trust and hereby directs the Trustee to take any and all action as it shall determine as necessary or appropriate to consummate such acceptance.

2. AT&T Inc. and the Issuer each represents and warrants to the Independent Fiduciary as of the Contribution Date, that:

- (a) The Issuer has been duly formed and is existing as a limited liability company in good standing under the laws of the State of Delaware and has all requisite power and authority of a limited liability company to own, lease and operate its assets and to carry on its business as it is now being conducted. The Issuer is duly qualified to do business as a foreign limited liability company, as applicable, and is in good standing under the laws of each state or other jurisdiction in which the nature of the activities conducted by it or the ownership or leasing of its properties requires such qualification, other than in such jurisdictions where the failure to so qualify or be in good standing, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on its business operations;
- (b) The authorized and outstanding capital classes of the Issuer (excluding the Preferred Interests), as of the date hereof, is as set forth in the Issuer's audited financial statements for the calendar year ended December 31, 201_, certified copies of which have been delivered to the Independent Fiduciary;
- (c) The Preferred Interests have been duly authorized and, when contributed to and accepted by the Trust, will be validly issued; under the Delaware Limited Liability Company Act, neither AT&T Inc. nor the Trust will have any obligation to make future payments with respect to the Preferred Interests solely by reason of their status as members;
- (d) This Agreement has been duly authorized, executed and delivered by each of AT&T Inc. and the Issuer and constitutes a valid and legally binding agreement of AT&T Inc. and the Issuer enforceable against each of them in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles;
- (e) The contribution of the Preferred Interests to the Trust, and the compliance by AT&T Inc. and the Issuer with all of the provisions of this Agreement and the consummation of the transactions herein contemplated will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which AT&T Inc. or any of its subsidiaries, including the Issuer, is a party or by which AT&T Inc. or any of its subsidiaries, including the Issuer, is bound, nor will such action result in any violation of the provisions of the Amended and Restated Articles of Incorporation or the amended and restated Bylaws of AT&T Inc. or the LLC Agreement, or the charter, bylaws,

or LLC operating agreements of any of their respective subsidiaries or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over AT&T Inc., the Issuer or any of their respective subsidiaries or any of their respective properties;

- (f) AT&T Inc. is subject to section 13 or 15(d) of the Securities Exchange Act of 1934, as amended;
- (g) Neither the Issuer nor any person acting on its behalf has offered or sold the Preferred Interests by means of any general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act of 1933 (the "1933 Act");
- (h) No commission, within the meaning of section 408(e)(2) of ERISA, or brokerage fee will become due or payable in connection with the execution and delivery of this Agreement or the transactions contemplated hereby, including the contribution of the Preferred Interests; and
- (i) Subject to compliance by the Independent Fiduciary with Section 3 hereof and the accuracy of the Independent Fiduciary's representations stated herein, it is not necessary in connection with the offer, sale and delivery of the Preferred Interests by the Issuer to AT&T Inc. or by AT&T Inc. to the Trust to register the Preferred Interests under the 1933 Act.

3. The Independent Fiduciary, acting on behalf of the Trust:

- (a) Represents and warrants that it has the authority to act on behalf of the Trust and that all action necessary on the part of the Independent Fiduciary, including its direction to the Trustee, to authorize the execution and delivery of this Agreement on behalf of the Trust has been taken;
- (b) Acknowledges that the Preferred Interests have not been registered under the 1933 Act and are being contributed to the Trust in reliance upon an exemption from such registration under the 1933 Act;
- (c) Acknowledges that the Trust is an institutional "accredited investor" within the meaning of Rule 501 under the 1933 Act;
- (d) Confirms that the Independent Fiduciary has been informed that the Preferred Interests (i) are not subject to any registration rights and (ii) are "restricted securities" under the 1933 Act and may not be resold or transferred;
- (e) Is aware of the adoption of Rule 144 under the 1933 Act ("Rule 144") by the U.S. Securities and Exchange Commission, which permits limited public resale of securities of an issuer acquired in a nonpublic offering, subject to the satisfaction of certain conditions, including, among other things: (i) the availability of certain current public information about such issuer, (ii) such public resale being through

a broker in an unsolicited “broker’s transaction”, with a “market maker” or in a “riskless principal transaction” and (iii) the amount of securities being sold during any three month period not exceeding specified limitations;

- (f) Represents that, (i) prior to accepting the Contribution on behalf of the Trust, it acquired sufficient information about the Issuer to reach an informed and knowledgeable decision to accept the Contribution, (ii) it has such knowledge and experience in financial and business matters as to make it capable of evaluating the risks to the Trust of accepting the Contribution and to make an informed decision with respect thereto and (iii) the Trust is able to bear the economic risk of accepting the Contribution;
- (g) Agrees that the Issuer shall not be required (i) to transfer on its books any Preferred Interests that have been assigned, sold or otherwise transferred in violation of the provisions of this Agreement or the LLC Agreement nor (ii) to treat as the owner of the Preferred Interests, or otherwise to accord voting, distribution or other rights to, or admit as a member of the Issuer, any person to whom the Preferred Interests have been assigned, sold or otherwise transferred in contravention of this Agreement or the LLC Agreement; and further agrees that the Preferred Interests are issued pursuant to and are subject to the provisions of the LLC Agreement (a copy of which the Independent Fiduciary has received and reviewed);
- (h) Agrees that the Trust shall make no disposition of the Preferred Interests that is contrary to the terms of the Preferred Interests, this Agreement or the LLC Agreement, and shall not pledge or grant any security interest in the Preferred Interests; and
- (i) Acknowledges that, in order to reflect the restrictions on the disposition of the Preferred Interests, the Preferred Interests will either be issued in certificated form and held in custody by the Issuer's transfer agent or issued in uncertificated form and evidenced on the Issuer's or its transfer agent's books (at the Issuer's option), in either case subject to restrictive legends or restrictive notations in such books indicating that the Preferred Interests are subject to the provisions of this Agreement and the LLC Agreement (in addition to such other legends or notations contemplated by the LLC Agreement).

4. The Preferred Interests shall, pursuant to the LLC Agreement, accrue cumulative distributions of \$1.75 per Preferred Interest per annum, payable quarterly upon declaration by the Issuer and pursuant to the LLC Agreement. At any time when distributions on any outstanding Preferred Interests are in arrears for purposes of the LLC Agreement: (a) the Issuer shall not be permitted to make any transfer of cash to AT&T Inc. or any other member of the Issuer, whether pursuant to a loan, equity distribution or any other arrangement, and (b) AT&T Inc. shall not be permitted to declare any dividends on or make any repurchases of its common stock.

5. The Independent Fiduciary acknowledges that the aggregate fair market value of the Preferred Interests as of [•] is as set forth in Schedule B. AT&T Inc. agrees that its valuation

of the Preferred Interests as of the Contribution Date for purposes of the minimum amount required to meet the funding requirements of sections 412 and section 430 of the Code (without regard to any subsequent adjustments required by such funding requirements with respect to interest accrual or investment experience) shall not exceed the value of the Preferred Interests set forth in Schedule B.

6. The price for each Preferred Interest (“Option Price”) in the event of an exercise of a Call Option or a Put Option (described below) is the greater of (i) the fair market value of the Preferred Interest, determined by the Independent Fiduciary as of the last date of the calendar quarter preceding the date of notice of exercise of a Call Option or Put Option, as the case may be, or, for the portion of Preferred Interests that cannot be purchased due to the limitations described in Section 8 below, the fair market value of the Preferred Interest, determined by the Independent Fiduciary as of the last date of the calendar quarter immediately preceding the date such portion of the Preferred Interest is actually purchased by AT&T Inc., and (ii) the sum of (a) \$25.00 (*i.e.*, \$8 billion in the aggregate) plus (b) any accrued and unpaid distributions.

7. The Independent Fiduciary, on behalf of the Trust, hereby grants to AT&T Inc. and its wholly-owned, direct or indirect, affiliates and the Issuer the right (individually or collectively, the “Purchaser”) to purchase from the Trust all or any portion of the Preferred Interests (the “Call Option”), at a price per Preferred Interest equal to the Option Price, at any time and from time to time (a) during the twelve month period following the date AT&T Inc. issues an annual report reflecting the fully funded status of the Plans (on a U.S. GAAP basis), (b) on or after a “Change of Control” of the Issuer as described in Section 9 (and subject to the additional terms of such Section 9) or (c) on or after the fifth anniversary of the Contribution Date. The Call Option is exercisable by the Purchaser upon 30 days’ prior written notice to the Independent Fiduciary.

8. AT&T Inc. and the Issuer hereby grant to the Trust the right to require AT&T Inc. to purchase the Preferred Interests (the “Put Option”), at a price per Preferred Interest equal to the Option Price, at any time and from time to time on or after the earliest of (a) the first date that the Issuer’s debt-to-total-capitalization ratio (as defined below) exceeds that of AT&T Inc., (b) a “Change of Control” of the Issuer as described in Section 9 (and subject to the additional terms of such Section 9), or (c) the seventh anniversary of the Contribution Date; provided, however, that except in the event of a Change of Control of the Issuer, AT&T Inc. shall not be required to purchase more than 106,666,667 Preferred Interests in any twelve month period. For purposes of this Section 8, the Issuer’s “debt-to-total-capitalization ratio” is defined as the sum of the Issuer’s debt maturing within one year and long-term debt (both taken directly from the Issuer’s most recently prepared US GAAP balance sheet) divided by the sum of the Issuer’s debt maturing within one year, long-term debt and total members’ equity including outstanding Preferred Interests (all taken directly from the Issuer’s most recently prepared US GAAP balance sheet), and AT&T Inc.’s “debt-to-total-capitalization ratio” is defined as the sum of AT&T Inc.’s debt maturing within one year and long-term debt (both taken directly from AT&T Inc.’s most recently prepared US GAAP balance sheet) divided by the sum of AT&T Inc.’s debt maturing within one year, long-term debt and total shareholders’ equity (all taken directly from AT&T Inc.’s most recently prepared US GAAP balance sheet). Upon the Independent Fiduciary’s reasonable request, as of the end of any calendar quarter, but not more frequently than twice in any calendar year, AT&T Inc. shall, within forty-five (45) calendar days after the end of such

calendar quarter, certify as to whether the Issuer's debt-to-total-capitalization ratio exceeds that of AT&T Inc. The Put Option is exercisable by the Independent Fiduciary on behalf of the Trust upon 60 days' prior written notice to AT&T Inc. The obligation to purchase the Preferred Interests upon exercise of the Put Option may be consummated by any Purchaser.

9. For purposes of Sections 7 and 8 hereof, a "Change of Control" of the Issuer means (i) the occurrence of any merger, reorganization or other transaction that results in AT&T Inc., directly or indirectly, owning less than fifty percent of the capital or profits interests (where the Issuer remains taxable as a partnership), or equity (if the Issuer becomes taxable as a corporation), of the Issuer exclusive of the Preferred Interests or (ii) a transfer of fifty percent or more of the Plan liabilities and Trust assets to an entity not under common control with AT&T Inc. In the event of a Change of Control, AT&T Inc. may exercise or assign its Call Option to the Issuer or to any successor owner of fifty percent or more of the capital or profits interest (or equity) of the Issuer (exclusive of the Preferred Interests). If the Call Option is not exercised upon such Change of Control, AT&T Inc. and the Issuer agree that they shall negotiate in good faith with the Independent Fiduciary to determine appropriate treatment of the Preferred Interests (including but not limited to conversion of the Preferred Interests into, or the exchange of the Preferred Interests for, replacement equity or debt securities of AT&T Inc. or the Issuer), subject to the approval of the Independent Fiduciary, in its sole discretion. If no such agreement can be reached within 60 days of the Change of Control, the Put Option shall become exercisable in full, thereby giving the Independent Fiduciary the right to require AT&T Inc. to purchase all or any portion of the Preferred Interests at the Option Price, except that (i) the limitation on the number of Preferred Interests that AT&T Inc. may be required to purchase in any twelve month period as described in Section 8 shall not apply and (ii) AT&T Inc. shall have a period of up to one year to pay the Option Price.

10. At the sole election of AT&T Inc. or other Purchaser, as the case may be, payment of the Option Price may be made in (i) fully paid and non-assessable shares of AT&T Inc. common stock ("AT&T Shares"), (ii) cash, or (iii) a combination of AT&T Shares and cash. Any AT&T Shares issued to pay all or a portion of the Option Price shall be priced at the average closing price of the 20 trading days preceding the date of the applicable notice of exercise (or, in the case of a delayed payment pursuant to the twelve month payment period described in Section 9 above in connection with a Change of Control, the 20 trading days preceding the date of payment). AT&T Inc. and the Trust have executed and delivered a Registration Rights Agreement, dated as of the date hereof, incorporated herein for all purposes, providing for the registration of the AT&T Shares under the 1933 Act and other matters as provided therein.

11. Notwithstanding anything herein to the contrary, in no event shall AT&T Inc. or any other Purchaser, as the case may be, be required to deliver more than 250 million AT&T Shares (the "Capped Number") to the Trust in settlement of the Option Price for the Preferred Interests; provided, however, AT&T Inc. may, in its discretion, deliver more than the Capped Number of AT&T Shares. AT&T Inc. represents and warrants that the Capped Number is equal to or less than the number of authorized but unissued AT&T Shares that are not reserved for future issuance on the date of determination of the Capped Number (which, for the avoidance of doubt, is [the date of execution], 201_). In the event AT&T Inc., through delivery of the Capped Number of AT&T Shares and AT&T Shares in addition to the Capped Number of AT&T Shares,

if any, shall not have delivered the full number of AT&T Shares otherwise deliverable in settlement of the Option Price for the Preferred Interests, AT&T Inc. will use its best efforts to authorize and deliver additional AT&T Shares. AT&T Inc. may elect, solely at its option, to settle the Option Price, in whole or in part, by delivering cash. In the event of a merger, reorganization, consolidation, recapitalization, separation, split-up, liquidation, share combination, stock split, stock dividend, or other change in the corporate structure of AT&T Inc. affecting the AT&T Shares (including a conversion of the AT&T Shares into cash or other property), an adjustment may be made in the number and class of shares that may be delivered in settlement of the Option Price for the Preferred Interests, as determined by AT&T Inc. to prevent dilution with respect to the Capped Number and reflect such changes in corporate structure (e.g. substitution of successor shares). In the event AT&T Inc., through delivery of the Capped Number of AT&T Shares and AT&T Shares in addition to the Capped Number of AT&T Shares, if any, shall not have delivered the full number of AT&T Shares otherwise deliverable in settlement of the Option Price for the Preferred Interests (resulting in a shortfall), the Preferred Interests for which neither AT&T Shares nor cash have been delivered shall remain outstanding, in accordance with their terms.

12. AT&T Inc. and the Issuer shall be solely responsible for (i) determining the proper treatment of the Preferred Interests, any distributions or other payments with respect thereto, or any proceeds of any redemption or conversion thereof for tax or financial accounting purposes; (ii) any and all regulatory reporting or filings required in connection with or as a result of the Contribution or the Trust's ownership or disposition of the Preferred Interests; (iii) the payment of any franchise or similar fees or taxes with respect to the Preferred Interests; and (iv) any transfer agency or similar fees or expenses relating to the issuance or transfer of the Preferred Interests.

13. The obligation of the Independent Fiduciary to accept the Contribution on behalf of the Trust as provided in Section 1 hereof is subject to the fulfillment by or at the Contribution Date of each of the following conditions, any or all of which may be waived in writing by the Independent Fiduciary, in its sole discretion:

- (a) The representations and warranties of AT&T Inc. and the Issuer contained in this Agreement that are qualified as to materiality or material adverse effect will be true and correct and those not so qualified will be true and correct in all material respects, in each case on and as of the Contribution Date as though made on and as of the Contribution Date, except in the case of representations and warranties which are expressly made as of a specific date (in which case such representations and warranties will be true and correct or true and correct in all material respects, as applicable, on and as of such specified date);
- (b) Each of AT&T Inc. and the Issuer shall have performed or complied in all material respects with all agreements, undertakings and covenants required by this Agreement to be performed or complied with by them at or prior to the Contribution Date; and
- (c) The PTE permits the Contribution and the holding of the Preferred Interests and AT&T Shares by the Trust and all the ancillary transactions contemplated

pursuant to this Agreement, including without limitation, the transactions necessary to effectuate the Call Option and the Put Option.

14. This Agreement shall be binding upon, and inure solely to the benefit of, the Trust, the Independent Fiduciary, AT&T Inc., the Issuer and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No assignee, purchaser or any other transferee of any Preferred Interests from the Trust shall be deemed a successor or assign of the Trust for the purpose of this Section 14 solely by reason of such assignment, purchase or other transfer.

15. This Agreement may be amended only by mutual written agreement of the parties.

16. This Agreement shall terminate only at such time as the PTE (or any successor thereto) shall no longer be necessary for the Trust to hold or dispose of the Preferred Interests or any AT&T Shares received in exchange therefor pursuant to this Agreement.

17. In the event of the termination or resignation of the Independent Fiduciary, AT&T Inc. shall promptly appoint a successor independent fiduciary in accordance with the terms of that certain Investment Management Agreement of even date herewith by and among AT&T Services, Inc., AT&T Inc. and the Independent Fiduciary. Such successor independent fiduciary shall acknowledge in writing the assignment to it of this Agreement and its acceptance of all rights and responsibilities of the Independent Fiduciary hereunder. In the event of the failure of AT&T Inc. or its affiliates to promptly appoint a successor Independent Fiduciary, the Trustee shall succeed to and may assert the rights of the Independent Fiduciary hereunder in accordance with the terms of the Trust's Declaration of Trust, and/or may seek the appointment by a court of competent jurisdiction of a substitute trustee to exercise the rights of the Independent Fiduciary hereunder, and AT&T Inc. shall fully indemnify and hold harmless the Trust from any costs or liability in connection therewith, including as a result of violating the terms and conditions of the PTE for failure to maintain an independent fiduciary.

18. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, to the extent not preempted by ERISA or other federal law.

19. The Preferred Interests described herein have been issued pursuant to, and are subject to the provisions of, the LLC Agreement. In the case of a conflict between this Agreement (including Schedule A hereto) and the LLC Agreement with respect to terms and conditions of the Preferred Interests (including rights and obligations thereto), the LLC Agreement shall control.

20. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

AT&T INC.

By: _____

Name:

Title:

AT&T MOBILITY II LLC

By: AT&T MOBILITY CORPORATION, its sole Manager

By: _____

Name:

Title:

BROCK FIDUCIARY SERVICES, LLC

By: _____

Name:

Title:

JP MORGAN CHASE BANK, N.A., as trustee of
the SBC Master Pension Trust

By: _____

Name:

Title:

Terms of Series A Cumulative Perpetual Preferred Membership Interests

Issuer	AT&T Mobility II LLC (the “Issuer”)
Securities to be Contributed	320,000,000 units of Series A Cumulative Perpetual Preferred Membership Interests (the “Preferred Interests”)
LLC Agreement	The Preferred Interests have been issued pursuant to, and are subject to the provisions of, the Third Amended and Restated Limited Liability Company Agreement of AT&T Mobility II LLC, dated as of _____, 2012 (the “LLC Agreement”). In the case of a conflict between the Contribution Agreement (including this Schedule A) and the LLC Agreement with respect to terms and conditions of the Preferred Interests (including rights and obligations relating thereto), the LLC Agreement shall control.
Distributions	The Preferred Interests shall accrue cumulative distributions of \$1.75 per Preferred Interest per annum, payable quarterly upon declaration by the Issuer, as and to the extent provided in the LLC Agreement. At any time when distributions on any outstanding Preferred Interests are in arrears for purposes of the LLC Agreement: (i) the Issuer shall not be permitted to make any transfer of cash to AT&T Inc. or any other member of the Issuer, whether pursuant to a loan, equity distribution or any other arrangement, and (ii) AT&T Inc. shall not be permitted to pay any dividends on or make any repurchases of its common stock.
Ranking	The Preferred Interests shall rank senior to any other class or series of equity interests in the Issuer in respect of the right to receive distributions and the right to receive payments or distributions out of the assets of the Issuer upon voluntary or involuntary liquidation, dissolution or winding up of the Issuer.
Liquidation Preference	In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Issuer, then, before any distribution or payment shall be made to the holders of any other class or series of equity interests, the holders of the Preferred Interests shall be entitled to \$25.00 per Preferred Interest plus any accrued and unpaid distributions.
Transfer Restrictions	Sale, assignment and transfer of the Preferred Interests is subject to the provisions of the LLC Agreement.
Voting	Holders of Preferred Interests shall not have any voting rights (or other approval rights) with respect to their interest in the Issuer or as to any other matter as a result of holding the Preferred Interests, except as provided in the LLC Agreement with respect to certain amendments to the LLC Agreement.

Other

AT&T Inc. and the Issuer shall be solely responsible for the tax, fee, expense, regulatory filings, and financial accounting matters relating to the Preferred Interests and any aspect thereof.

Appendix 2: Fons Model of Corporate Spreads³

$$P_{corp} = \sum_{t=1}^N \frac{S_{corp,t}C + S_{corp,t-1}d_{corp,t}\mu_{corp}(C + F_{corp})}{(1+i)^t} + \frac{S_{corp,N}F_{corp}}{(1+i)^N}$$

where

- P_{corp} =price of the corporate bond
- $S_{corp,t}$ =probability of surviving to year t without defaulting
- $d_{corp,t}$ =probability that a corporate bond defaults in year t , given that the bond has survived to year t without defaulting
- i =the yield on a Treasury bond with N years to maturity
- C =the coupon rate on a corporate bond with N years to maturity
- S_{corp} =face value of the corporate bond
- μ_{corp} =recovery rate of the corporate bond in the event of default

³Fons, Jerome S. (1994), Using Default Rates to Model the Term Structure of Credit Spreads. Financial Analysts Journal, vol. 50: 25-32.
Crabbe, Leland E. (1996), Estimating the Credit-Risk Yield Premium for Preferred Equity. Financial Analysts Journal, vol. 52: 45-56.



DRAFT 10/18/12

Report of Independent Fiduciary on the Contributions of Series A Cumulative Perpetual Preferred Membership Interests of AT&T Mobility II LLC to the SBC Pension Trust

This report is being submitted by Brock Fiduciary Services LLC (the "Independent Fiduciary") as the independent fiduciary for the AT&T Pension Benefit Plan and the AT&T Puerto Rico Pension Benefit Plan (together, the "Plans") in connection with the in-kind contribution by AT&T Inc. of 320 million Series A Cumulative Perpetual Preferred Membership Interests (the "Preferred Interests") of AT&T Mobility II LLC (the "Issuer") to the SBC Pension Trust (the "Trust"). The Trust holds the assets of the Plans. The Independent Fiduciary was appointed by AT&T Services, Inc. (the "Company"), the administrator and named fiduciary of the Plans, as independent plan fiduciary, named fiduciary and investment manager with respect to the above-referenced contribution (the "Contribution") pursuant to an Independent Fiduciary Agreement dated as of May 1, 2012 among the Company, AT&T Inc. and the Independent Fiduciary. A copy of the Independent Fiduciary Agreement is attached hereto as Exhibit A. Pursuant to the Independent Fiduciary Agreement, the Independent Fiduciary is responsible for (a) determining the value of the Contribution and whether the terms and conditions of the Preferred Interests and the Contribution are prudent and fair to, and in the interest of, the Plans and their participants and beneficiaries, (b) negotiating and entering into a contribution agreement on behalf of the Trust and any other necessary collateral agreements, (c) reasonably assisting AT&T Inc. in obtaining pursuant to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), a prohibited transaction exemption from the U.S. Department of Labor ("DOL") in connection with the Contribution and acting as independent fiduciary as required by such exemption, and (d) preparing a written report on its determinations with respect to the Contribution. This is the report required by the Independent Fiduciary Agreement.

In addition, the Independent Fiduciary has been appointed by the Company as an investment manager of the Plans and Trust with full discretion to manage the portion of the Trust's assets consisting of the Preferred Interests from and after the date of the Contribution (the "Contribution Date"). The Independent Fiduciary's duties and authority are evidenced by an Investment Management Agreement dated as of [date of contribution] among the Company, AT&T Inc. and the Independent Fiduciary. A copy of the Investment Management Agreement is attached hereto as Exhibit B. The Independent Fiduciary will manage the holding and disposition of any shares of AT&T Inc. common stock received by the Trust in exchange for the Preferred Interests, pursuant to the Call Option and Put Option described below, until such time as the holding by the Trust of such shares does not require an individual prohibited transaction exemption under ERISA.

I. The Plans and the Trust

The Plans are defined benefit pension plans providing retirement benefits to employees and former employees of AT&T Inc. and certain of its subsidiaries. The Trust holds assets which fund the operations of the Plans. As of December 31, 2011, the fair market value of the assets held in the Trust was approximately \$46 billion. Based on the value of the Preferred Interests, AT&T Inc. has represented that the fair market value of the Contribution is approximately \$9.2 billion in excess of the minimum funding contribution required for 2013 with respect to the Plans and Trust by Section 412 and Section 430 of the Internal Revenue Code of 1986, as amended. AT&T Inc. has represented that approximately 72 percent of the Trust's portfolio is invested in highly liquid, publicly traded assets. Such assets have a fair market value of approximately \$33 billion, which can support approximately eight years of expected benefit payments under the Plans, assuming no further contributions or return on assets. The Contribution is permitted under the terms of the Plans and the Trust.

II. The Terms of the Preferred Interests

As negotiated by the Independent Fiduciary on behalf of the Plans, the Preferred Interests have the following terms and conditions:

- (a) 320 million Series A Cumulative Perpetual Preferred Membership Interests in AT&T Mobility II LLC.
- (b) The Preferred Interests accrue cumulative distributions of \$1.75 per Preferred Interest per annum, payable quarterly upon declaration by the Issuer and pursuant to the Third Amended and Restated Limited Liability Company Agreement of AT&T Mobility II LLC (the "LLC Agreement"). At any time when distributions on any outstanding Preferred Interests are in arrears for purposes of the LLC Agreement: (i) the Issuer will not be permitted to make any transfer of cash to AT&T Inc. or any other member of the Issuer, whether pursuant to a loan, equity distribution or any other arrangement, and (ii) AT&T Inc. will not be permitted to declare any dividends on or make any repurchases of its common stock.
- (c) The Preferred Interests rank senior to any other class or series of equity interests in the Issuer in respect of the right to receive distributions and the right to receive payments or distributions out of the assets of the Issuer upon voluntary or involuntary liquidation, dissolution or winding up of the Issuer.
- (d) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Issuer, then, before any distribution or payment shall be made to the holders of any other class or series of equity interests, the holders of the Preferred Interests shall be entitled to \$25.00 per Preferred Interest plus any accrued and unpaid distributions.
- (e) The price for each Preferred Interest ("Option Price") in the event of an exercise of a Call Option or a Put Option (defined below) will be defined as the greater of (i) the fair market value of the Preferred Interest, determined by the Independent

Fiduciary as of the last day of the calendar quarter preceding the date of notice of exercise of a Call Option or Put Option, as the case may be, or, for the portion of Preferred Interests that cannot be exercised due to the limitations described in paragraph (g) below, the fair market value of the Preferred Interest, determined by the Independent Fiduciary as of the last day of the calendar quarter immediately preceding the date such portion of the Preferred Interest is actually purchased by AT&T Inc., and (ii) the sum of (a) \$25.00 (*i.e.*, \$8 billion in the aggregate) plus (b) any accrued and unpaid distributions. Any determination of fair market value prior to the seventh anniversary of the Contribution Date will assume that (i) the Call Option will become exercisable no earlier than the fifth anniversary of the Contribution Date, and (ii) the Put Option will become exercisable no earlier than the seventh anniversary of the Contribution Date.

- (f) AT&T Inc. and its wholly-owned, direct or indirect, affiliates and the Issuer (individually or collectively, the “Purchaser”) have the right to purchase from the Trust all or any portion of the Preferred Interests (the “Call Option”), at a price per Preferred Interest equal to the Option Price, at any time and from time to time (i) during the 12 month period following the date AT&T Inc. issues an annual report reflecting the fully funded status of the Plans (on a GAAP basis), (ii) on or after a “Change of Control” of the Issuer as described below (and subject to the additional terms described below) or (iii) on or after the fifth anniversary of the Contribution Date. The Call Option shall be exercisable upon 30 days’ prior written notice by the Purchaser.
- (g) The Trust, under the direction of the Independent Fiduciary, has the right to require AT&T Inc. to purchase the Preferred Interests (the “Put Option”), at a price per Preferred Interest equal to the Option Price, at any time and from time to time on or after the earlier of (i) the first date that the Issuer’s debt-to-total-capitalization ratio (as defined in the Contribution Agreement attached hereto as Exhibit D) exceeds that of AT&T Inc., (ii) a “Change of Control” of the Issuer as described below (and subject to the additional terms described below) or (iii) the seventh anniversary of the Contribution Date; *provided, however*, that except in the event of a Change of Control of the Issuer, AT&T Inc. will not be required to purchase more than 106,666,667 Preferred Interests in any 12 month period. The Put Option shall be exercisable by the Trust upon 60 days’ prior written notice to AT&T Inc. The obligation to purchase the Preferred Interests upon exercise of the Put Option may be consummated by any Purchaser.
- (h) Upon the occurrence of any Change of Control (as defined below), AT&T Inc. may exercise or assign its Call Option to the Issuer or any successor owner of fifty percent or more of the capital or profits interest (or equity) of the Issuer (exclusive of the Preferred Interests). If the Call Option is not exercised upon a Change of Control, the parties will negotiate in good faith to determine appropriate treatment of the Preferred Interests, which will be subject to the approval of the Independent Fiduciary in its sole discretion. If no agreement can be reached within 60 days of the Change of Control, the Put Option shall become immediately exercisable in full, thereby giving the Independent Fiduciary the

right to require AT&T Inc. to purchase all or any portion of the Preferred Interests at the Option Price, except that (i) the limitation on the number of Preferred Interests that AT&T Inc. may be required to purchase in any 12 month period as described above shall not apply and (ii) AT&T Inc. shall have a period of up to one year to pay the Option Price. "Change of Control" shall mean either (A) the occurrence of any merger, reorganization or other transaction that results in AT&T Inc., directly or indirectly, owning less than fifty percent of the capital or profits interests (where the Issuer remains taxable as a partnership), or equity (if the Issuer becomes taxable as a corporation) of the Issuer (exclusive of the Preferred Interests), or (B) the transfer of more than fifty percent of the Plan's liabilities and of the Trust's assets to an entity not under common control with AT&T Inc.

- (i) At the sole election of AT&T Inc. or other Purchaser, as the case may be, payment of the Option Price may be made in (i) fully paid and non-assessable shares of AT&T Inc. common stock ("AT&T Shares"), (ii) cash, or (iii) a combination of AT&T Shares and cash. Any AT&T Shares issued to pay all or a portion of the Option Price will be valued for the purpose of determining the number of AT&T Shares to be issued to satisfy the Option Price described above, at the average closing price of the 20 trading days preceding the date of notice of exercise (or, in the case of a delayed payment pursuant to the twelve month payment period described above in connection with a Change of Control, the 20 trading days preceding the date of payment). AT&T Inc., the Independent Fiduciary and the Trust have executed and delivered a Registration Rights Agreement, dated as of the date hereof, providing for the registration of the AT&T Shares under the Securities Act of 1933 and other matters as provided therein.
- (j) Notwithstanding anything herein to the contrary, in no event shall AT&T Inc. or other Purchaser, as the case may be, be required to deliver more than 250 million AT&T Shares (the "Capped Number") to the Trust in settlement of the Option Price for the Preferred Interests; provided, however, AT&T Inc. may, in its discretion, deliver more than the Capped Number of AT&T Shares. AT&T Inc. represents and warrants that the Capped Number is equal to or less than the number of authorized but unissued AT&T Shares that are not reserved for future issuance on the date of determination of the Capped Number (which, for the avoidance of doubt, is [the date of execution], 201_). In the event AT&T Inc., through delivery of the Capped Number of AT&T Shares and AT&T Shares in addition to the Capped Number of AT&T Shares, if any, will not have delivered the full number of AT&T Shares otherwise deliverable in settlement of the Option Price for the Preferred Interests, AT&T Inc. will use its best efforts to authorize and deliver additional AT&T Shares and the Preferred Interests for which neither AT&T Shares nor cash have been delivered shall remain outstanding in accordance with their terms. AT&T Inc. may elect, solely at its option, to settle the Option Price, in whole or in part, by delivering cash. In the event of a merger, reorganization, consolidation, recapitalization, separation, split-up, liquidation, share combination, stock split, stock dividend, or other change in the corporate

structure of AT&T Inc. affecting the AT&T Shares (including a conversion of the AT&T Shares into cash or other property), an adjustment may be made in the number and class of shares of the AT&T Shares that may be delivered in settlement of the Option Price for the Preferred Interests, as determined by AT&T Inc. to prevent dilution with respect to the Capped Number.

III. Actions of the Independent Fiduciary

The Independent Fiduciary, on behalf of the Plans, negotiated the terms and conditions of the Preferred Interests over several months. The members of the Independent Fiduciary's team, consisting of persons who have extensive financial management experience as senior executives of major corporations and investment banks or who have many years of experience as ERISA fiduciary law experts, engaged with senior officers of AT&T Inc. in numerous discussions concerning the nature of the security to be contributed to the Trust and its terms and conditions. In addition, in order to determine whether the Contribution would be prudent and in the best interest of the Plans and their participants and beneficiaries, the Independent Fiduciary utilized the services of its in-house security analyst to determine the value of the Issuer and the value of the Preferred Interests as of the date of this report. Those valuations will be updated to the Contribution Date.

The valuation of the Preferred Interests is memorialized in the report attached hereto as Exhibit C, which the Independent Fiduciary affirms to be accurate as of the date of this report. Ultimately, the Independent Fiduciary concluded its negotiations regarding the terms and conditions of the Preferred Interests, which have been set forth in a Contribution Agreement dated as of the Contribution Date, a copy of which is attached hereto as Exhibit D.

In all of its deliberations and negotiations with AT&T Inc., the Independent Fiduciary was advised by experienced outside ERISA counsel.

IV. The Independent Fiduciary

The Independent Fiduciary is an investment adviser registered under the Investment Advisers Act of 1940, as amended. The Independent Fiduciary is a wholly owned subsidiary of Brock Capital Group. The Independent Fiduciary has extensive experience as an independent fiduciary with respect to determining the value of non-publicly traded securities, including securities of the same type as the Preferred Interests and managing such assets on behalf of ERISA-covered plans and trusts. The Independent Fiduciary valued the initial contribution by Chrysler Group LLC of its notes and common shares to the UAW Retiree Medical Benefits Trust. The Independent Fiduciary continues to value and manage those securities as the independent fiduciary with respect to those assets. The Independent Fiduciary has played a similar role as independent fiduciary for the UAW Retiree Medical Benefits Trust with respect to the common stock, preferred stock, and warrants contributed by General Motors Company. The combined value of the employer securities held in the UAW Retiree Medical Benefits Trust for which the Independent Fiduciary is the independent fiduciary is approximately \$20 billion. The Independent Fiduciary delivers updated valuations of the securities to the trustees on an annual basis.

and is actively engaged as independent fiduciary in the management and disposition of those assets on behalf of the UAW Retiree Medical Benefits Trust.

The Independent Fiduciary calls upon the services of members of Brock Capital Group who can provide the expertise required to appraise the value of employer securities contributed to employee benefit plans. The Independent Fiduciary's team members include Stephen R. Wilson (former CFO of RJR Nabisco, The Reader's Digest Association, and Reckitt & Colman plc), Steven C. Baum (former Managing Partner of Marks Paneth & Shron), Norman H. Brown Jr. (former Managing Director of Donaldson Lufkin & Jenrette), Anthony A. Dreyspool (ERISA attorney and author of the book *ERISA Fiduciary Law for Non-Lawyers*), Alain Lebec (former Vice Chairman of Merrill Lynch Investment Banking), Donald Walkovik (former Senior Partner at Sullivan & Cromwell) and Charles O. Svenson (attorney and investment banker with Dewey Ballantine, Goldman Sachs, and Donaldson Lufkin & Jenrette).

The Independent Fiduciary is independent of AT&T Inc. and its subsidiaries and affiliates, including the Issuer. The Independent Fiduciary's fees and expenses earned under the Independent Fiduciary Agreement and the Investment Management Agreement will be paid by the Trust, although for convenience AT&T Inc. may from time to time pay the Independent Fiduciary's fees and expenses and will be reimbursed by the Trust. The Independent Fiduciary does not receive, directly or indirectly, any other compensation or consideration from AT&T Inc. and its affiliates. Thus, the net amount of compensation paid by AT&T Inc. and its affiliates to the Independent Fiduciary is 0% of the Independent Fiduciary's gross annual revenues. The Independent Fiduciary's compensation for its services under the Independent Fiduciary Agreement and the Investment Management Agreement is not contingent upon or in any way affected by the Independent Fiduciary's decisions. The Independent Fiduciary has not previously provided services to AT&T Inc. and its affiliates.

V. Independent Fiduciary's Determinations

The proposed prohibited transaction exemption requires that the Contribution be in the interest of the participants and beneficiaries of the Plans. The Independent Fiduciary acknowledges that it fully understands its duties and responsibilities under ERISA in acting as a fiduciary on behalf of the Plans. The Independent Fiduciary is not acting on behalf of AT&T Inc. or the Issuer. For the reasons set forth below, the Independent Fiduciary has concluded that it is prudent for the Plans to accept the Contribution and that the Contribution is in the interests of the Plans and their participants and beneficiaries and protective of the rights of such participants and beneficiaries.

- (a) The Contribution is well in excess of legally required contributions to the Plans for 2013. The fair market value of the Contribution is approximately \$9.5 billion, approximately \$9.2 billion more than the required contribution. Thus, this voluntary contribution of valuable assets to the Plans and Trust will far exceed what AT&T Inc. represents it would contribute if it were to make only a cash contribution equal to its minimum funding requirement.

- (b) The Preferred Interests are senior preferred interests of the Issuer, a company that provides the wireless services marketed under AT&T Inc.'s name. The Issuer is one of the largest wireless telecommunications providers in the United States and serves about 103 million mobile phone users across the United States. The Issuer is one of the most profitable and fastest growing business segments in AT&T Inc.'s corporate structure. The Independent Fiduciary has determined that the cash flows of the Issuer are large enough to cover the annual cash distributions on the Preferred Interests.
- (c) The cumulative annual cash distribution rate of the Preferred Interests (\$1.75 per annum per Preferred Interest) is very favorable compared to income returns that could be obtained on prudent investments under current market conditions. AT&T Inc. has represented that the expected annual cash flow payable on the Preferred Interests will exceed the 2013 minimum required funding contribution to the Trust. As noted in the Independent Fiduciary's valuation report attached as Exhibit C, the distribution payment rate is significantly above the yields on comparable fixed income securities. Furthermore, the restriction on payment of dividends on AT&T Shares or purchases by AT&T Inc. of AT&T Shares if distributions on any Preferred Interests are in arrears will be an incentive to the Issuer to pay all distributions on a regular basis. If the Issuer misses any distribution payment, the cumulative distribution feature means that the Plans will not lose any current return on the Preferred Interests. As noted above, the Independent Fiduciary has also determined in its valuation of the Issuer that the Issuer generates an annual cash flow after capital expenses to easily cover the annual \$560 million expected distribution on the Preferred Interests.
- (d) The Independent Fiduciary has applied a discount rate for the quarterly distribution and redemption proceeds of between **[1.81 percent and 2.01 percent]** and has taken an additional liquidity discount on the redemption proceeds. The Independent Fiduciary has valued the Preferred Interests as of **[____, 2012]** at a range of between **[\$9.170 billion]** and **[\$9.979 billion]** (or **\$28.66 per Preferred Interest** and **\$31.18 per Preferred Interest**), with a mid-point in the range of **[\$9.573 billion (or \$29.91 per Preferred Interest)]**. This valuation supports its conclusion that the Contribution is well in excess of the required funding amount for 2013 and confers a significant benefit to the Plans.
- (e) The terms of and conditions of the Preferred Interests, including the Put Option and Call Option, are protective of the interests of the Plans and Trust and are as favorable to the Plans as such terms would be if negotiated at arm's length under similar circumstances between unrelated third parties.
- (f) The Independent Fiduciary will monitor the continued holding of the Preferred Interests by the Trust. The Independent Fiduciary will manage the holding and disposition of the Preferred Interests pursuant to the Investment Management Agreement and will have sole authority on behalf of the Plans to take whatever action the Independent Fiduciary deems appropriate to insure that the transaction remains in the interest of the Plans. The Independent Fiduciary will enforce

compliance with all conditions and obligations imposed on any party dealing with the Plans by the prohibited transaction exemption granted with respect to the Contribution. The Independent Fiduciary will manage any AT&T Shares received by the Trust in exchange for the Preferred Interests pursuant to the Call Option and Put Option until such time as a prohibited transaction exemption is no longer needed.

Under penalty of perjury, to the best of the Independent Fiduciary's knowledge and belief, all of the representations and statements made by the Independent Fiduciary in this report are true and correct.

Brock Fiduciary Services LLC

By: _____

Dated: [XX,XX], 201_ [the Contribution Date]

List of Exhibits to
Report of Independent Fiduciary

Exhibit A – Independent Fiduciary Agreement

Exhibit B – Investment Management Agreement

Exhibit C – Valuation Report of the Preferred Interests

Exhibit D – Contribution Agreement

Exhibit A to Report of Independent Fiduciary:

Independent Fiduciary Agreement

See Exhibit D.1 to the Application

**Exhibit B to Report of Independent Fiduciary:
Investment Management Agreement**

See Exhibit D.3 to the Application

**Exhibit C to Report of Independent Fiduciary:
Valuation Report of the Preferred Interests**

See Exhibit B to the Application

**Exhibit D to Report of Independent Fiduciary:
Contribution Agreement**

See Exhibit D.2 to the Application

EXHIBIT C

PROPOSED EXEMPTION

Based on the facts and representations set forth in this application, the Department is considering granting an exemption under the authority of Section 408(a) and in accordance with the procedures set forth in 29 CFR Part 2570, Subpart B (76 FR 66637, 66644, October 27, 2011).

I. Covered Transactions

The restrictions of sections 406(a)(1)(A), 406(a)(1)(E), 406(a)(2), 406(b)(1) and 407(a), and the sanctions resulting from the application of section 4975(a) and (b) of the Code, by reason of section 4975(c)(1)(A) through (E) of the Code, shall not apply to:

- A. the transfer to the Trust on behalf of the AT&T Pension Benefit Plan and the AT&T Puerto Rico Pension Benefit Plan (collectively, the Plans) by AT&T Inc., a party in interest with respect to such Plans, of Series A Cumulative Perpetual Preferred Membership Interests with a fair market value of approximately \$9.5 billion (the Preferred Interests) in AT&T Mobility II LLC, an indirect wholly owned limited liability company subsidiary of AT&T Inc. (the Issuer), through the in-kind contribution of such Preferred Interests;
- B. the holding by the Trust of the Preferred Interests and any shares of AT&T Inc. common stock (the AT&T Shares) received upon disposition of the Preferred Interests, on behalf of the Plans;
- C. the granting by the Trust to AT&T Inc. and its wholly-owned, direct or indirect, affiliates and the Issuer (individually or collectively, the Purchaser) of the Call Option, and the disposition of the Preferred Interests in connection with the Purchaser's exercise of the Call Option;
- D. the acquisition and holding by the Trust of the Put Option, and the disposition by the Trust of the Preferred Interests in connection with the Trust's exercise of the Put Option;
- E. any disposition, restructuring or recapitalization of the Preferred Interests resulting from a Change of Control of the Issuer; and
- F. the retention on behalf of the Plans of an independent fiduciary pursuant to an investment management agreement with an indefinite term, subject to termination on behalf of the Plans and Trust for cause.

II. Conditions

The exemptions are conditioned upon adherence to the material facts and representations described herein and upon satisfaction of the following requirements:

- A. An independent qualified fiduciary (the Independent Fiduciary), acting on behalf of the Plans, represents the Plans' interests for all purposes with respect to the Preferred Interests, and determines, prior to entering into any of the transactions described herein, that each such transaction is in the interest of the Plans;
 - B. The Independent Fiduciary determines the fair market value of the Preferred Interests contributed to the Trust as of the date of the contribution, consistent with sound principles of valuation;
 - C. The Independent Fiduciary negotiates and approves the terms of the Preferred Interests, the Call Option and the Put Option, and each other document related to the transactions;
 - D. The Independent Fiduciary manages the holding and disposition of the Preferred Interests and takes whatever actions it deems necessary to protect the rights of the Plans with respect to the Preferred Interests;
 - E. The terms of any transactions between the Plans and a Purchaser are no less favorable to the Plans than terms negotiated at arm's-length under similar circumstances between unrelated third parties determined by the Independent Fiduciary, at the time the contractual terms with respect to such transactions, including without limitation, the Call Option and the Put Option, are entered into;
 - F. The Plans incur no fees, costs or other charges (other than the fees and expenses of the Independent Fiduciary) as a result of any of the transactions described herein;
 - G. The Trustee maintains for a period of six (6) years from the date any Preferred Interests are contributed to the Trust and for a period of six (6) years from the date of any disposition of Preferred Interests by the Trust or the purchase of Preferred Interests by a Purchaser, the records necessary to enable the persons described in paragraph (d) below to determine whether conditions of this exemption have been met, except that (i) a prohibited transaction will not be considered to have occurred if, due to circumstances beyond the control of the Trustee, the records are lost or destroyed prior to the end of the six-year period, and (ii) no party in interest other than the Trustee shall be subject to the civil penalty that may be assessed under Section 502(i) if the records are not maintained, or are not available for examination as required by paragraph (i) below; and
 - H. Except as provided in section (2) of this paragraph and notwithstanding any provisions of section 504(a)(2) and 504(b), the records referred to in paragraph (c) above shall be unconditionally available at their customary location during normal business hours by:
 - a. any duly authorized employee or representative of the Department; and
 - b. any participant or beneficiary of the Plan, or any duly authorized representative of such participant or beneficiary.
2. None of the persons described above in subparagraph (1)(B) of this paragraph (d) shall be authorized to examine the trade secrets of AT&T Inc. or

the Issuer or commercial or financial information that is privileged or confidential.

III. **Definitions**

[To be supplied after review by the Department.]

EXHIBIT D

RELEVANT DOCUMENTS

The following documents are attached hereto:

1. Independent Fiduciary Agreement;
2. Contribution Agreement;
3. Investment Management Agreement; and
4. Registration Rights Agreement

**EXHIBIT D.1
TO
EXEMPTION APPLICATION
INDEPENDENT FIDUCIARY AGREEMENT**

INDEPENDENT FIDUCIARY AGREEMENT

This Independent Fiduciary Agreement (this "Agreement") is entered into by and among AT&T Services, Inc. (the "Company"), in its corporate capacity and as plan administrator and named fiduciary of the employee benefit plans funded by the SBC Master Pension Trust (the "Pension Trust") and as a named fiduciary of the AT&T Union Welfare Benefit Trust (the "VEBA", together with the Pension Trust the "Trusts"), AT&T Inc., solely for purpose of providing the indemnity contained in guaranteeing payment of any amount due under Section 9 of this Agreement; and Brock Fiduciary Services LLC, a Delaware limited liability company (the "Independent Fiduciary") (collectively, the "Parties").

WITNESSETH:

WHEREAS, the Pension Trust is established pursuant to a Declaration of Trust dated as of January 1, 2007, and as amended, by and between SBC Communications, Inc. (now called AT&T Inc.) ("AT&T") and J.P. Morgan Chase Bank, N.A., as Trustee thereof (the "Pension Trustee"), to hold the assets of certain pension plans of the Company identified in such Declaration of Trust;

WHEREAS, the VEBA is established pursuant to a Declaration of Trust dated as of March 31, 1993, and as amended, by and between AT&T and Mellon Trust of New England, N.A., as successor to Boston Safe Deposit and Trust Company, as Trustee thereof (the "VEBA Trustee," together with the Pension Trustee, the "Trustees"), to hold the assets of certain welfare benefit plans of the Company identified in such Declaration of Trust (such plans, together with the previously referenced pension plans, the "Plans");

WHEREAS, the Company has been appointed the "Plan Administrator" (as that term is defined in section 3(16)(A) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and "named fiduciary" within the meaning of section 402(a)(2) of ERISA of each of the Plans;

WHEREAS, the Company has delegated to the AT&T Inc. Benefit Plan Investment Committee (the "Committee") the Plans with the power and authority, *inter alia* to appoint and remove trustees and investment managers, to enter into and amend trust agreements or other agreements relating to the management of Plan assets and, in so doing, has designated the Committee as a "named fiduciary" with respect to the Plans with the foregoing power and authority;

WHEREAS, the Company has determined to make a contribution (the "Contribution") of employer securities, within the meaning of section 407(d)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"),¹ to the Trusts, in the form of preferred

¹ All references to ERISA hereunder include the parallel prohibited transaction provisions of section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), to the extent applicable.

equity interests (the "Shares") in AT&T Mobility LLC, a limited liability company organized and existing under the laws of the State of Delaware (the "Subsidiary"), the rights and features of such Shares to be determined by the Company in its sole discretion subject to agreement of the Independent Fiduciary and consistent with the terms of the PTE referenced below;

WHEREAS, the Company intends that the total value of the Contribution shall be not less than approximately \$9 billion, subject to a valuation of the Shares to be made by the Independent Fiduciary pursuant to this Agreement, which Shares shall be allocated between the Trusts as determined by the Company, subject to the approval of the Independent Fiduciary;

WHEREAS, the Shares will not be "qualifying employer securities" within the meaning of ERISA section 407(d)(5), and therefore the Company must obtain an individual prohibited transaction exemption ("PTE") from the Department of Labor ("DOL") in connection with the Contribution; and

WHEREAS, the Company has determined to appoint the Independent Fiduciary as a named fiduciary and investment manager with discretion on behalf of the Trusts, over their acceptance of the Contribution.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein, it is agreed as follows:

1. APPOINTMENT OF THE INDEPENDENT FIDUCIARY.

(a) **Appointment.** The Independent Fiduciary hereby represents and warrants that it is (and shall continue to be during the term of its engagement hereunder) an investment adviser registered under the Investment Advisers Act of 1940, as amended, and that it is (and shall continue to be) qualified to act as an "investment manager" (as that term is defined in section 3(38) of ERISA). On the basis of such representation and warranty, the Independent Fiduciary hereby is appointed as a "named fiduciary" within the meaning of section 402(a)(2) of ERISA and as such an investment manager with respect to the acceptance by the Trusts of the Contribution, all in accordance with the duties and responsibilities described in this Agreement. The Company and the Committee acknowledge receipt of a current and valid copy of the Independent Fiduciary's Form ADV, Part II.

(b) **Fiduciary Status.** The Independent Fiduciary acknowledges that it is a "fiduciary" (as such term is defined in section 3(21) of ERISA) of each Plan with respect to the acceptance by each Plan and Trust of the Contribution, to the extent of its authority and responsibility as set forth in this Agreement. The Independent Fiduciary represents that it is not subject to any of the disqualifications described in section 3(21)(A) of ERISA, with respect to the acceptance by each Plan and Trust of the Contribution, or in section 411 of ERISA. The Independent Fiduciary shall perform its duties with respect to the acceptance of the Contribution by each Plan and Trust in compliance with Section 18 hereof and applicable law.

(c) **Authority.** Each of the Parties represents and warrants that it is authorized to enter into and perform its obligations under this Agreement without limitation, and that no further authorizations or consents are required.

2. SCOPE OF ENGAGEMENT. The Independent Fiduciary's sole responsibilities pursuant to this Agreement shall be:

(a) determining the value of the Contribution and determining whether the terms and conditions of the Shares and the Contribution are prudent and fair to, and in the interest of, the Plans and Trusts;

(b) reporting its foregoing determinations in a written report (the "Report") to the Company and the Committee;

(c) negotiating with the Company and executing on behalf of the Trusts a contribution agreement or other collateral agreements necessary or appropriate for implementing the Contribution (the "Transaction Agreements"); and

(d) reasonably assisting the Company in obtaining a PTE from DOL and in satisfying any terms and conditions thereof, and reasonably complying with the conditions or limitations imposed on the Independent Fiduciary by such PTE.

3. LIMITATIONS ON SCOPE OF SERVICES. Subject to applicable law, the Independent Fiduciary shall have no authority or responsibility with respect to the following, and the subject matter of the engagement pursuant to Section 2 shall not include any of the following:

(a) management or disposition of the Shares subsequent to the acceptance of Contribution, except as and to the extent provided in one or more separate Investment Management Agreements to be entered into between the Parties;

(b) determining whether the Contribution, the Shares, or any terms and conditions thereof comply with any laws or regulations other than ERISA applicable to the Company or the Trusts, including but not limited to federal or state telecommunications laws and regulations promulgated by the Federal Communications Commission (FCC), securities laws and regulations, and applicable corporate laws;

(c) determining the treatment of the Shares as equity or debt for tax, financial accounting or any other purpose other than ERISA;

(d) the filing of any forms or documents with any regulatory authority, including but not limited to DOL, the Internal Revenue Service, the Pension Benefit Guaranty Corporation, the FCC, or the Securities and Exchange Commission, except that the Independent Fiduciary shall cooperate with the Company or the Committee in completing and filing any such forms or documents as reasonably requested;

(e) preparing or making any disclosures or other communications to Plan participants, Company employees, or any third parties;

(f) except as provided in ERISA with respect to co-fiduciary liability, acts or omissions of fiduciaries or persons other than the Independent Fiduciary and its officers, directors, principals, shareholders, members, managers, employees and agents;

(g) losses, claims, damages, fees, expenses, judgments, settlements or the like arising from matters outside the scope of services the Independent Fiduciary has agreed to render hereunder;

(h) evaluating or advising the Company or the Committee on any assets of the Trusts other than Shares, including but not limited to any Company securities of any kind acquired by the Trusts other than pursuant to the Contribution;

(i) valuing any assets of the Trusts other than the Shares, or determining whether the acquisition or holding of the Shares by either Trust violates the percentage limitation of ERISA section 407(a)(2) with respect to any Plan or such other percentage limitation as may be set out in the PTE;

(j) recommending any amendments to the Trusts or the Plans, except to the extent the Independent Fiduciary determines that such an amendment is necessary or appropriate to aid the Independent Fiduciary in exercising the Trusts' rights with respect to the Contribution or the Shares;

(k) paying benefits under any Plan, or ensuring the continuation of any Plan;

(l) establishing or changing the investment goals or operation of any Plan or Trust; or

(m) rendering legal advice of any sort.

4. **ADDITIONAL DUTIES AND REPRESENTATIONS OF THE PARTIES.**

(a) **Independence.** The Independent Fiduciary represents and warrants that it is independent of and unrelated to the Company and that:

(i) it does not directly or indirectly control, is not controlled by, and is not under common control with the Company;

(ii) neither it, nor any of its officers, directors, principals, shareholders, members, managers or employees is an officer, director, partner or employee of the Company; and

(iii) it does not have any interest that would affect its best judgment as described in DOL Regulation §2550.408(b)-2(e)(1).

(b) **Regulatory Compliance.** The Independent Fiduciary represents and warrants to the Trusts that it has secured, paid for, and completed any and all registrations, filings, permits, licenses, consents and examinations required by any governmental authority with regulatory authority or oversight over the Independent Fiduciary in connection with the performance of its duties and responsibilities under this Agreement, and any contractual obligation, law or regulation to which it is subject.

(c) **Persons to Perform Services.** The Independent Fiduciary shall advise the Company and the Trustees from time to time in writing as to the employees or officers of, or other persons affiliated with, the Independent Fiduciary who are authorized to act on behalf of the Independent Fiduciary in connection with performance of services under this Agreement, and shall provide the foregoing with specimen signatures of such persons. The Independent Fiduciary represents and warrants that such persons are individuals who are experienced or knowledgeable in the performance of the various functions of the nature contemplated by this Agreement. The Independent Fiduciary shall provide the Company and the Trustees with prompt notice of any material change in control of the Independent Fiduciary or in the event of any change with regard to the list of authorized persons described above. The Company shall appropriately direct the Trustees with respect to the authority of such persons over the Trusts.

(d) **Persons Authorized to Act on Behalf of the Company.** The Company shall furnish the Independent Fiduciary from time to time, upon request of the Independent Fiduciary, with the names, titles and authorities of its officers and employees who are authorized to act on behalf of the Company, the Committee and/or the Trusts with respect to the Shares, together with specimen signatures of those individuals who are authorized to act with respect to the Independent Fiduciary. Upon request by the Company, the Committee or the Trustees, the Independent Fiduciary shall furnish the Company, the Committee and the Trustees, respectively, with the names of the persons authorized to act on its behalf and provide specimen signatures of those individuals who are authorized to act on its behalf with respect to the Shares in a form and manner acceptable to the Company, the Committee and the Trustees.

(e) **Information to be Furnished.** The Company has provided or shall timely provide the Independent Fiduciary with copies of the current Plan and Trust documents including all amendments thereto as well as current information and all other disclosures provided to Plan participants and beneficiaries regarding the Shares, copies of all Transaction Agreements, and copies of its application to the DOL for the PTE and all correspondence with the DOL regarding the PTE, and will furnish or cause to be furnished to the Independent Fiduciary during the term of this Agreement (i) current copies of the Plans and any subsequent amendments to the Trusts; and (ii) copies of the Plans' and Trusts' most recent Form 5500 and 990 filings and all other financial and other information regarding the Plans and Trusts as and when reasonably requested by the Independent Fiduciary, as well as reasonable access to internal staff and outside professionals engaged by the Company. The Company represents that the information that is provided will be accurate and complete in all material respects to the best of its knowledge and will be timely provided. The Independent Fiduciary and its affiliates shall be entitled to rely upon and assume the accuracy and completeness of such information so provided. The Company shall use commercially reasonable efforts to avoid providing to the Independent Fiduciary or the Trusts any information that would be considered material, non-public information regarding the Company.

(f) **Cooperation.** The Committee shall furnish the Independent Fiduciary with any material information relating to the Shares which may come to its attention in its fiduciary capacity under the Plans.

(g) **ERISA Section 408(b)(2).** The Independent Fiduciary is a covered service provider as defined in DOL Reg. §2550.408(b)-2(c)(1)(iii). The Independent Fiduciary

expects to receive from each Trust direct compensation (as defined in the Final Rule) for its services in connection with this Agreement, which services are described in greater detail in Section 2. This direct compensation is expected to be paid to the Independent Fiduciary in the manner described in Section 14. In the event of the termination of the Independent Fiduciary's services described herein with respect to the Trusts, the Independent Fiduciary expects to receive only the direct compensation otherwise due through the effective date of such termination as provided in Section 14. The Independent Fiduciary does not expect to receive any indirect compensation (as defined in DOL Reg. §2550.408(b)-2(c)(1)(viii)(B)(2)) in connection with the aforementioned services to the Trusts. The Independent Fiduciary also does not expect to receive or pay, and shall not accept or pay, any direct or indirect compensation (as those terms are defined in DOL Reg. §2550.408(b)-2(c)(1)(vii)(B)) to or from any party, or to charge any direct or indirect compensation directly against the Trusts or against the assets in the Trusts, other than as detailed herein.

(h) **Company as Named Fiduciary.** The Company acknowledges that it is a "named fiduciary" (as that term is defined in section 402(a)(2) of ERISA) for the Plans and the Trusts. The Committee acknowledges that it has been designated by the Company to carry out its duties as "named fiduciary" as so defined and that it has the authority to designate the Independent Fiduciary as a named fiduciary and investment manager pursuant to this Agreement.

(i) **Reliance.** The Independent Fiduciary acknowledges that the acknowledgements, representations warranties and agreement contained in this Agreement are continuing and are understood to be relied upon by the Committee, the Company, and the Trustees (including any successor or substitute Trustee), and it shall promptly notify the Committee in writing in the event that any of the acknowledgements, representations, warranties or agreements are, or are anticipated to be, no longer true.

5. RECORDS. The Independent Fiduciary shall maintain accurate books and records relating to all transactions involving Shares for a period of seven (7) years or longer as required by applicable law following the calendar year in which such transactions were effected. The Independent Fiduciary shall take all reasonable steps to assist the Trustees in keeping accurate and detailed records of all transactions involving Shares and shall reconcile with the Trustee accounts and statements of all assets (including holdings detail), performance and transactions at least monthly. The Independent Fiduciary shall from time to time make reports concerning the status of the Shares; furnish to the Trustees and Committee such financial statements and reports and other information as the Trustees and Committee may, in their sole discretion, reasonably request from time to time with respect the Shares, or with respect to such reports as may be required to be prepared and furnished by the Trustees pursuant to the provisions of the Declaration of Trusts; and furnish such information concerning the Shares to such persons as the Company may, in writing, reasonably request. The Independent Fiduciary shall maintain such records for the period required by ERISA or other applicable law.

6. AUDITING. The Independent Fiduciary agrees that the Company and the Committee shall have the right, through authorized representatives of the Company and through independent certified public accountants engaged by the Company or the Committee, as the case may be, to inspect and audit, during normal business hours of the Independent Fiduciary, all of the Independent Fiduciary's records, files and other documents (including, without limitation,

documentation relating to expenses reimbursed pursuant to Section 14(c)) related to its performance of this Agreement.

(a) In order to fulfill the requirements of an audit requested with respect to this Agreement, the Independent Fiduciary agrees to permit the Trustees, the Committee and the Company to inspect and audit, during normal business hours of the Independent Fiduciary, any and all of the Independent Fiduciary's records, files and other documents relevant to transactions that directly impact the Shares. The Independent Fiduciary agrees to assist in any reasonable manner in the satisfactory completion of the audit and, upon a Party's request, to provide such data as the Company may request in a format that is mutually agreed upon by both parties.

(b) In connection with an audit requested with respect to this Agreement, the Company agrees to provide prior notice in writing when it desires to make an audit of the Independent Fiduciary; to pay all reasonable extraordinary expenses incurred by the Independent Fiduciary during the audit which have been agreed to in advance by the Company; to take all reasonable necessary steps to assure minimal interference with the Independent Fiduciary's operation; to allow the Independent Fiduciary to review the audit results and include with it a supplementary statement containing facts deemed pertinent to the audit; and to provide a complete copy of the audit results, upon request by the Independent Fiduciary, provided the Independent Fiduciary pays reasonable charges associated with such request.

7. INSURANCE AND BONDS.

(a) Any and all insurance and/or bonds that the Independent Fiduciary may be required to carry under the laws, ordinances, and regulations of any governmental authority, with respect to the performance of services under this Agreement, are and shall be the sole responsibility of the Independent Fiduciary.

(b) With respect to performance hereunder, the Independent Fiduciary agrees to maintain, at all times during the term of this Agreement, all insurance applicable to the Independent Fiduciary's performance of this Agreement in accordance with the standards and practices of the Independent Fiduciary's industry. The Independent Fiduciary agrees to furnish to the Company and the Committee, on or before the date that this Agreement is executed, certificates of insurance executed by a duly authorized representative of the insurer evidencing the foregoing insurance and to permit the Company or the Committee to inspect any such policies at the offices of the Independent Fiduciary upon request. The Independent Fiduciary further agrees to provide the Company with notice of any changes in such insurance that would cause the Independent Fiduciary to not be in compliance with this Agreement, if implemented, at least 30 days prior to the effective date of any such change in such insurance. The Independent Fiduciary also agrees to notify the Company and the Committee in writing at least 30 days before replacement or cancellation of such insurance.

(c) The Independent Fiduciary is bonded to the extent required by ERISA section 412 or is exempt from such bonding requirements. The Independent Fiduciary

agrees to furnish to the Company, on or before the date that this Agreement is executed, a copy of the certificate or other acceptable proof of the foregoing bond and to permit the Company or the Committee to inspect any such bond at the offices of the Independent Fiduciary upon request. The Independent Fiduciary further agrees to provide the Company and the Committee with notice of any changes in such bond that would cause the Independent Fiduciary to not be in compliance with this Agreement, if implemented, at least 30 days prior to the effective date of any such change in such bond. The Independent Fiduciary also agrees to notify the Company in writing at least 30 days before replacement or cancellation of such bond.

8. LIMITATION ON LIABILITY. The Parties agree that the obligations of the Parties hereunder are solely corporate obligations, and no individual officer, director, employee, agent, shareholder, or controlling person of the Independent Fiduciary or any of its affiliates, will be subject to any personal liability whatsoever in connection with this Agreement except as otherwise required by law.

9. INDEMNIFICATION OF THE INDEPENDENT FIDUCIARY. The Company and AT&T Inc. (collectively, the "Indemnitors"), to the extent permitted by applicable law, shall indemnify the Independent Fiduciary and hold it and each of its officers, directors, principals, shareholders, members, managers, employees and agents (individually an "Indemnified Party"), harmless against any and all losses, claims, damages or liabilities, including reasonable legal fees and expenses, to which any Indemnified Party may become subject arising in any manner out of or in connection with the performance of the duties of the Independent Fiduciary under this Agreement, except that such Indemnified Party will not be so indemnified to the extent such losses, claims, damages or liabilities are finally adjudged by a court of competent jurisdiction, or are determined by another proceeding mutually agreeable to the Parties hereto, to have resulted from such Indemnified Party's breach of fiduciary duty, material breach of this Agreement directly resulting in a loss to a Trust, fraud negligence or willful misconduct. In addition, to the extent permitted by applicable law, the Company, in its capacity as plan administrator, waives any rights or claims it may have against any Indemnified Party in connection with the performance of services under this Agreement, except to the extent such claims are based on such Indemnified Party's breach of fiduciary duty, breach of this Agreement directly resulting in a loss to a Trust or the Company, fraud negligence or willful misconduct. For purposes of this Agreement:

(a) Pursuant to the foregoing indemnification, the Indemnitors shall, upon notice, advance or pay, or cause the relevant Trust(s) to advance or pay, promptly to or on behalf of any Indemnified Party, all reasonable attorneys' fees and other expenses and disbursements as they are incurred; provided, however, that the Indemnified Party shall first provide to the Indemnitors evidence of its ability to repay (which may consist of proof of insurance coverage) and, provided further, that it shall promptly reimburse to the Trusts all amounts paid to it pursuant to this Section 9 to the extent that the Indemnified Party is finally adjudged to have acted in a manner that involved negligence, willful misconduct, breach of fiduciary duty, or material breach of this Agreement.

(b) If any Indemnified Party has any reason to believe that a potential or actual legal action or claim may exist or receives notice of the commencement of any

action or proceeding involving the Indemnified Party, a Plan, a Trust, the Indemnitors, the Committee or any subsidiary, affiliate, director, officer, employee or agent of any of them (a "Claim"), the Indemnified Party will give the Company reasonably prompt written notice thereof.

(c) If during the period of, or subsequent to the termination of, this Agreement, any Indemnified Party is required to participate in any legal or other proceeding (other than as a named party to such proceeding) in connection with the services contemplated by this Agreement, the Company will compensate the Indemnified Party for such services or time required at the Indemnified Party's per diem rates then in effect, plus any reasonable legal fees and out-of-pocket expenses.

(d) It is understood by the Parties that the foregoing indemnification shall survive the termination of this Agreement and the termination, for any reason, of the services of the Independent Fiduciary as a fiduciary with respect to the Plans and Trusts.

10. INDEMNIFICATION OF THE COMPANY.

(a) Subject to such limitations as may be imposed by ERISA or other applicable law, the Independent Fiduciary undertakes to indemnify and hold harmless the Plans, the Trusts, the Company, the Committee and all officers, directors, principals, shareholders, members, managers, employees, and agents of the Company (each an "Indemnified Company Party") of and from any liability or expense (including reasonable attorney's fees and expenses) in connection with or arising out of (i) any breach of fiduciary duty by the Independent Fiduciary, (ii) any failure of the Independent Fiduciary to perform any of the duties undertaken by it under the provisions of this Agreement, (iii) any liability arising out of acts of the Independent Fiduciary which constitute fraud, negligence, willful misconduct, or violation of law.

(b) Anything hereinabove to the contrary notwithstanding, the Independent Fiduciary shall have no responsibility to an Indemnified Company Party under the foregoing undertaking to the extent that it has been judicially determined that: (i) the Indemnified Company Party breached its fiduciary duties or failed to perform any of the duties undertaken by it under the provisions of this Agreement, or (ii) such liability arises out of acts of an Indemnified Company Party which constitute fraud, negligence, willful misconduct, or violation of law.

11. DEFENSE AND SETTLEMENT. In the absence of agreement between the parties hereto to the contrary, each party shall prosecute its own defense of any third party cause of action involving the determination of the rights or obligations of any third party making any claim pursuant to this Agreement, the Plans, any applicable collective bargaining agreement or any local, state or federal law. Each party hereto shall have sole authority to select its counsel in any such proceeding. The Company shall take the lead in the prosecution of the defense of any such proceeding. The Independent Fiduciary shall use its best efforts to obtain the cooperation of its employees and agents in the defense of any litigation arising in connection with this Agreement. Without the prior written consent of the Company, the Indemnified Party will not enter into any settlement relating to any Claim which would create any financial or other

obligation on the part of a Trust or a Plan under this Agreement. Without the prior written consent of the Indemnified Party, the Company (or a Trust) will not enter into any settlement relating to any Claim which would lead to liability or create any financial or other obligation on the part of the Indemnified Party.

12. IMPLADER. The Independent Fiduciary agrees not to implead or bring any action against the Company, any subsidiary or other affiliate of the Company, or any director, officer, employee, contractor or agent thereof, based on any claim by any person for personal injury or death of any employee or agent of the Independent Fiduciary that occurs in the course of the Independent Fiduciary's performance of this Agreement, provided, however, that the foregoing shall not apply to circumstances wherein the Company, any subsidiary or other affiliate of the Company, or any director, officer, employee, contractor or agent thereof inflicts or is directly or indirectly responsible for the infliction of physical injury (whether or not such physical injury causes the death of the employee) upon an employee, contractor or agent of the Independent Fiduciary.

13. COST OF ENFORCEMENT. In any action brought by either party against the other party to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover all reasonable attorney's fees and costs of the action.

14. FEES AND EXPENSES.

(a) The Independent Fiduciary shall be compensated for its services pursuant to this Agreement in the amount of \$166,667 per calendar month payable in arrears effective May 1, 2012, terminating upon the later of the completion of the Contribution and the completion of the Independent Fiduciary's Report or upon any earlier termination of this Agreement pursuant to Section 16(b) below. If the Independent Fiduciary's services with respect to the Shares terminate at any time other than at the end of a calendar month, such fee shall be prorated and the difference refunded based on the portion of such calendar quarter during which this Agreement was in force. Although certain reasonable fees and expenses incurred by the Independent Fiduciary pursuant to this Agreement may be paid by the Company (whether or not reimbursed by the Trusts), it is understood that the Independent Fiduciary's sole professional responsibilities are to the Plans and Trusts.

(b) Notwithstanding the foregoing, the total amount payable pursuant to Section 14(a) shall not exceed \$2,000,000 provided, however, that in the event of a material change in the terms of the proposed Contribution or a material non-recurring transaction or project or other event occurring outside the ordinary course (other than the mere passage of time or the Contribution) requiring a material change in the services to be rendered by the Independent Fiduciary (by way of example only, an FCC review of the Contribution requiring substantial involvement of the Independent Fiduciary), or Company's failure to complete a Contribution of Shares to the Pension Trust and/or to the VEBA within twelve (12) months after the effective date the Report, the Company, the Committee and the Independent Fiduciary shall consult with each other, in good faith, on an appropriate fee for such change in the services or with respect to such additional time period.

(c) The Independent Fiduciary's fee shall be paid by the Company, subject to the terms of the Plans and Trust permitting the reimbursement of such amounts. The Company shall also within 30 days of each written request reimburse the Independent Fiduciary for its reasonable expenses, disbursements and costs that are incurred (i) for out-of-town travel and (ii) advice of outside counsel directly in support of the services described in Section 2(d) of this Agreement. By submitting any such request for reimbursement, the Independent Fiduciary shall be deemed to have represented to the Company and the Committee that such amounts have been determined by the Independent Fiduciary to be reasonable within the meaning of section 408(b)(2) of ERISA for the services provided and have been paid by the Independent Fiduciary. It is understood by the Parties that any outside legal counsel retained by the Independent Fiduciary represents the Independent Fiduciary exclusively, and the attorney-client privilege with respect to the above-described services will be solely between the Independent Fiduciary, on behalf of the Plans, and such counsel.

(d) Invoices may be submitted by email or other electronic means acceptable to the Trusts and the Independent Fiduciary. Unless the Independent Fiduciary is otherwise advised in writing, invoices shall be directed to:

AT&T Services, Inc.
c/o William H. Hammond
Vice President, Investment Management
One AT&T Way
Room 3D101
Bedminster, New Jersey 07921-2693

15. CONFIDENTIALITY.

(a) The Independent Fiduciary shall treat as confidential any Confidential Information with respect to the Shares, as well as with respect to any financial or other information relating to the Company or a Trust which it obtains in its capacity as the Independent Fiduciary or otherwise.

(b) The Independent Fiduciary shall promptly provide prior notice to the Company (except where such prior notice is prohibited by law), before it can disclose any information with respect to Shares or a Trust that would be Confidential Information except that the disclosure is required by law, regulation or other binding authority, including (without limitation) requirements under ERISA, the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940. In the event that the Independent Fiduciary is requested (by oral questions, interrogatories, subpoena duces tecum or similar process) to disclose any information that would be Confidential Information except for the requirement to disclose, the Independent Fiduciary shall provide the Company with prompt notice of such request. In the event that the Independent Fiduciary discloses information that would otherwise be Confidential Information without prior notice to the Company (because such disclosure is required by law and prior notification thereof to the Company is prohibited by law), the Independent Fiduciary shall notify the Company concerning such disclosure as soon as practicable and permissible by law.

(c) Except to the extent required by applicable law, the Independent Fiduciary shall not publish or otherwise distribute, without the Company's prior written approval, any advertising, press release or promotional or publicity material wherein the name, symbol, trademark or service mark of the Company, the Plans, or the Trusts (including any subsidiary, affiliate or other benefit plan or trust of the Company) is mentioned, or language from which the connection of said name, symbol, trademark or service mark therewith may be inferred or implied. The Independent Fiduciary shall cease any and all usage of the name, symbol, trademark or service mark of the Company, the Plans or the Trusts immediately upon the termination of this Agreement.

(d) All specifications, drawings, sketches, models, samples, tools, apparatus, software programs, technical information and specific investment advice, written or oral, furnished by the Independent Fiduciary to the Company under this Agreement or in contemplation of this Agreement shall be considered to be proprietary. The Company specifically agrees to treat such information as confidential and shall not disclose such information to a third party without prior notice to and the written consent of the Independent Fiduciary unless such disclosure is required by law, regulation or other binding authority, including (without limitation) requirements under ERISA, the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940. In the event that the Company is requested (by oral questions, interrogatories, subpoena duces tecum or similar process) to disclose any such information the Company shall provide the Independent Fiduciary with prompt notice of such request. In the event that the Company discloses such information without prior notice to the Independent Fiduciary (because such disclosure is required by law and prior notification thereof to the Independent Fiduciary is prohibited by law), the Company shall notify the Independent Fiduciary concerning such disclosure as soon as practicable and permissible by law.

(e) The Parties agree that the financial terms of this Agreement, including but not limited to the fees described in Section 14 of this Agreement, shall be treated as Confidential Information except as required by law. Any disclosure by either party hereto, any subsidiary or affiliate of either party hereto, or any employee or agent thereof, of any such financial terms, without the prior written permission of the other party hereto, shall be deemed to be a material breach of this Agreement.

(f) "Confidential Information" shall mean and include any and all records, data, input materials and other information received, computed, used or stored pursuant to this Agreement that are disclosed by the Company to the Independent Fiduciary in accordance with this Agreement. Confidential Information does not include information that is (a) now available or becomes available to others without a breach of this Agreement; (b) lawfully obtained by a party to this Agreement from a third party or parties; (c) known by a party to this Agreement prior to disclosure under this Agreement; (d) developed by a party to this Agreement independently of disclosure under this Agreement; or (e) required to be disclosed by a party to this Agreement pursuant to any applicable law, rule, regulation, order or ruling of any authorized court, agency or regulatory commission, but only to the extent that such disclosure is so required.

16. TERMINATION OF AGREEMENT.

(a) The term of this Agreement shall end upon the later of the completion of the Contribution and the completion of the Independent Fiduciary's Report as required by Section 2(b).

(b) Notwithstanding the foregoing, this Agreement may be sooner terminated as follows:

(i) The Independent Fiduciary may resign by delivering to the Trusts a written resignation that shall take effect 30 days after the date of such filing.

(ii) This Agreement shall expire automatically upon a decision by the Company to abandon the Contribution.

(iii) The Company and the Committee may terminate this Agreement with respect to a Trust by 30 days' written notice only for Cause, which, for purposes of this Agreement, shall be defined as any of the following with respect to such Trust:

(a) any disqualifying event described in ERISA section 411;

(b) determination by any court, arbitrator or government regulatory body that the Independent Fiduciary has violated any civil or criminal law (including, but not limited to, securities, antitrust or ERISA) in connection with the performance of its responsibilities to a Trust. For purposes of avoidance of doubt in connection with this and the subsequent subparagraph, a "determination" shall mean any written judgment, order or decree; court-approved settlement; arbitration award; or enforcement action of a government regulatory body or self regulatory organization, in the form of a written sanction, claim, demand or opinion, whether or not appealable;

(c) determination by any court, arbitrator or government regulatory body that the Independent Fiduciary has materially breached the terms of its engagement, whether or not appealable;

(d) any action by the Independent Fiduciary that results in imposition of a civil or criminal sanction, any prohibited transaction excise tax, or any civil judgment or award of damages, on either Trust or their respective employees, officers directors or owners (whether or not subject to indemnity by the Independent Fiduciary, an insurer, or any other person);

(e) failure of the Independent Fiduciary to qualify as an "investment manager" within the meaning of ERISA section 3(38);

(f) any change in the clientele, business or ownership of the Independent Fiduciary that results in an actual conflict of interest;

(g) violation of any conditions imposed on the Independent Fiduciary under the terms of the PTE; or

(h) any other action or inaction of the Independent Fiduciary that the relevant Trust Committee reasonably determines to be a material

breach of this Agreement or any law, or is likely to result in an irreconcilable conflict.

(c) In the event this Agreement is terminated by the Independent Fiduciary, the Independent Fiduciary shall reasonably cooperate with any successor independent fiduciary appointed by the Company in transitioning its work-in-progress.

(d) Sections 8, 9, 10, 11, 12, 13 and 15 of this Agreement shall survive a termination by any Party hereto.

17. RELATIONSHIP BETWEEN THE PARTIES; INDEPENDENT CONTRACTORS. None of the provisions of this Agreement are intended to create, nor shall be deemed or construed to create, any relationship between the Company and the Independent Fiduciary other than that of independent entities contracting with each other hereunder solely for the purpose of effecting the provisions of this Agreement. None of the Parties hereto, nor any of their respective directors, officers, employees or agents shall be construed to be the employee, agent or representative of the other. This Agreement shall not be deemed to be a joint venture relationship. As independent parties, the Company and the Independent Fiduciary maintain separate and independent management. As between the Company and the Independent Fiduciary, each has full, complete, absolute and sole authority and responsibility regarding its own operations, and neither shall have any direction or control over the manner in which the other performs its obligations.

18. GENERAL FIDUCIARY STANDARDS. Subject to Section 8 hereof, the Independent Fiduciary shall discharge its duties with respect to the Shares solely in the interest of participants and beneficiaries of the Plans and Trusts and (a) for the exclusive purpose of providing benefits to participants and beneficiaries of the Plans and Trusts and defraying reasonable expenses of administering the Trusts; (b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and (c) in accordance with the documents and instruments governing the Plan and Trust, insofar as such documents and instruments are consistent with the provisions of Title I of ERISA.

19. ASSIGNMENT. The Independent Fiduciary shall not make or purport to make any assignment (including, without limitation, any assignment as that term is defined by the Investment Advisers Act of 1940) or other transfer of this Agreement or of any of the rights granted to the Independent Fiduciary hereunder without the Company's prior written consent, and no such assignment or transfer shall be effective without the prior written consent of the Company. Any such attempted assignment or transfer by the Independent Fiduciary not assented to in the manner prescribed herein shall be void.

20. INVALID PROVISIONS. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable. This Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect

and shall not be affected by the illegal, invalid, or unenforceable provision or severance from this Agreement. Furthermore, in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as part of this Agreement, a provision as similar in terms to such illegal, invalid, or unenforceable provision as is possible to be legal, valid, and enforceable.

21. NOTICE. Any and all written communications provided herein shall be deemed duly given if personally delivered or delivered by mail, postage prepaid, or by telecopier to the address below, unless notice of a change of address is furnished in the manner provided herein:

AT&T Services, Inc.
c/o William H. Hammond
Vice President, Investment Management
One AT&T Way
Room 3D101
Bedminster, New Jersey 07921-2693

AT&T Services, Inc., as named fiduciary
c/o William H. Hammond
Vice President, Investment Management
One AT&T Way
Room 3D101
Bedminster, New Jersey 07921-2693

With a copy to:

Thomas R. Giltner
General Attorney & Assistant General Counsel
AT&T Management Services, LP
208 South Akard Street
Suite 3015
Dallas, TX 75202

Brock Fiduciary Services LLC
622 Third Avenue
Floor 12
New York, NY 10017
Attn: _____

22. ENTIRE AGREEMENT/AMENDMENT. This Agreement embodies all understandings and agreements of the Parties hereto with respect to the subject matter hereof and the terms and conditions hereof may not be amended except in writing dated even date herewith or subsequent hereto signed by both of the Parties hereto. The Parties agree to negotiate in good faith such amendments as may be reasonably needed to comply with the final terms of the PTE.

23. GOVERNING LAW AND JURISDICTION. This Agreement shall be governed and construed according to the laws of the State of Texas without regard to its conflicts of laws provisions, except as superseded and preempted by ERISA or other laws of the United

States. Any action seeking to enforce or interpret the provisions of this Agreement shall be venued in Bexar County, Texas.

24. SUCCESSOR LAWS. Any references in this Agreement to a section of ERISA, the Code or other applicable law, or to any regulations or administrative pronouncements thereunder, shall be deemed to include a reference to any modifications or amendments thereof, and any successor provision of ERISA, the Code or other applicable law, or any successor regulations or administrative pronouncements thereunder.

25. SUCCESSOR TRUSTEES. The Company may at any time, and from time to time, appoint additional, successor or substitute Trustees with respect to all or a portion of the Shares and shall promptly give notice thereof to the Independent Fiduciary and the applicable Trustee.

26. EXECUTION. This Agreement may be executed in several counterparts, each of which shall be deemed an original hereof, but only one of which as executed by all Parties shall be required as evidence in any action maintained in connection with this Agreement.

27. ARBITRATION. Any controversy, claim or dispute that arises from or relates to this Agreement or services rendered or to be rendered by the Independent Fiduciary shall be determined exclusively by submission to mandatory, binding arbitration, instead of by lawsuit or resort to court action. Any arbitration proceeding under this Agreement shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association (AAA) and governed by the Federal Arbitration Act pertaining to binding arbitration, or as the Parties otherwise reasonably may agree. The Parties will cause a single arbitrator to be selected under the AAA's commercial arbitration rules and the applicable Trust(s) shall bear the cost of the arbitrator's fees. The arbitrator's decision shall be conclusive, final and binding upon the Parties. Judgment on the decision may be entered in any court of competent jurisdiction. Neither Party may seek an appeal or review of the arbitrator's decision. Any arbitration proceeding under this Agreement shall be held in New York City.

Remainder of Page Intentionally Left Blank

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement to be effective as of the 1st day of May, 2012.

AT&T SERVICES INC., in its corporate capacity

By: William H. Hammond TPB
Name: William H. Hammond
Title: Vice President, Investment Management

AT&T SERVICES INC., as named fiduciary of the Plans

By: William H. Hammond TPB
Name: William H. Hammond
Title: Vice President, Investment Management

AT&T INC., solely for the purpose of providing the indemnity contained in Section 9 of this Agreement.

By: George B. Goelke TPB
Name: George B. Goelke
Title: VP - Asst. Treasurer

BROCK FIDUCIARY SERVICES LLC

By: Brock Capital Group LLC
Its: Managing Member

By: Charles Brock LLC
Its: Managing Member

**EXHIBIT D.2
TO
EXEMPTION APPLICATION
CONTRIBUTION AGREEMENT**

CONTRIBUTION AGREEMENT

This Contribution Agreement (the "Agreement") is entered into as of the __ day of _____, 201_, by and among Brock Fiduciary Services LLC (the "Independent Fiduciary"); JP Morgan Chase Bank, N.A., as trustee of the SBC Master Pension Trust (the "Trustee"); AT&T Inc.; and AT&T Mobility II LLC, an indirect wholly owned subsidiary of AT&T, Inc. (the "Issuer").

RECITALS

WHEREAS, AT&T Inc., formerly known as SBC Communications Inc., is a holding company incorporated under the laws of the State of Delaware;

WHEREAS, AT&T Inc. proposes to make an in-kind contribution (the "Contribution") of 320 million cumulative perpetual preferred membership interests (each a "Preferred Interest" and collectively, the "Preferred Interests") of the Issuer currently held by AT&T Inc., which Preferred Interests are described in and subject to the terms and conditions of the attached Schedule A, to the SBC Master Pension Trust (the "Trust"), which holds assets of the pension plans maintained by AT&T Inc. identified in the Declaration of Trust establishing such Trust (collectively, the "Plans");

WHEREAS, the Preferred Interests were issued to AT&T Inc. pursuant and subject to the terms and conditions of that certain Third Amended and Restated Limited Liability Company Agreement of AT&T Mobility II LLC (the "LLC Agreement");

WHEREAS, AT&T Inc. has received from the U.S. Department of Labor ("Labor Department") Prohibited Transaction Exemption No. _____, __ Fed. Reg. _____ (201_) granting relief from certain prohibited transaction provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the parallel provisions of section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") (the "PTE");

WHEREAS, in connection with the making of the Contribution and in anticipation of the requirements of the PTE, AT&T Services, Inc. has retained the Independent Fiduciary as named fiduciary and investment manager with respect to the Preferred Interests to be held by the Trust pursuant to an Independent Fiduciary Agreement dated as of May 1, 2012 and an Investment Management Agreement dated as of _____, 201_; and

WHEREAS, the parties hereto propose to set out the terms and conditions applicable to the Contribution and the holding of the Preferred Interests by the Trust.

AGREEMENT

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

1. AT&T Inc. hereby contributes the Preferred Interests to the Trust as an addition to the Plans' assets and in consideration of a reduction of AT&T Inc.'s funding obligation with respect to the Plans, effective as of the date of this Agreement (the "Contribution Date"). By

executing this Agreement, the Independent Fiduciary accepts the Preferred Interests on behalf of the Trust and hereby directs the Trustee to take any and all action as it shall determine as necessary or appropriate to consummate such acceptance.

2. AT&T Inc. and the Issuer each represents and warrants to the Independent Fiduciary as of the Contribution Date, that:

- (a) The Issuer has been duly formed and is existing as a limited liability company in good standing under the laws of the State of Delaware and has all requisite power and authority of a limited liability company to own, lease and operate its assets and to carry on its business as it is now being conducted. The Issuer is duly qualified to do business as a foreign limited liability company, as applicable, and is in good standing under the laws of each state or other jurisdiction in which the nature of the activities conducted by it or the ownership or leasing of its properties requires such qualification, other than in such jurisdictions where the failure to so qualify or be in good standing, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on its business operations;
- (b) The authorized and outstanding capital classes of the Issuer (excluding the Preferred Interests), as of the date hereof, is as set forth in the Issuer's audited financial statements for the calendar year ended December 31, 201_, certified copies of which have been delivered to the Independent Fiduciary;
- (c) The Preferred Interests have been duly authorized and, when contributed to and accepted by the Trust, will be validly issued; under the Delaware Limited Liability Company Act, neither AT&T Inc. nor the Trust will have any obligation to make future payments with respect to the Preferred Interests solely by reason of their status as members;
- (d) This Agreement has been duly authorized, executed and delivered by each of AT&T Inc. and the Issuer and constitutes a valid and legally binding agreement of AT&T Inc. and the Issuer enforceable against each of them in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles;
- (e) The contribution of the Preferred Interests to the Trust, and the compliance by AT&T Inc. and the Issuer with all of the provisions of this Agreement and the consummation of the transactions herein contemplated will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which AT&T Inc. or any of its subsidiaries, including the Issuer, is a party or by which AT&T Inc. or any of its subsidiaries, including the Issuer, is bound, nor will such action result in any violation of the provisions of the Amended and Restated Articles of Incorporation or the amended and restated Bylaws of AT&T Inc. or the LLC Agreement, or the charter, bylaws,

or LLC operating agreements of any of their respective subsidiaries or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over AT&T Inc., the Issuer or any of their respective subsidiaries or any of their respective properties;

- (f) AT&T Inc. is subject to section 13 or 15(d) of the Securities Exchange Act of 1934, as amended;
- (g) Neither the Issuer nor any person acting on its behalf has offered or sold the Preferred Interests by means of any general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act of 1933 (the “1933 Act”);
- (h) No commission, within the meaning of section 408(e)(2) of ERISA, or brokerage fee will become due or payable in connection with the execution and delivery of this Agreement or the transactions contemplated hereby, including the contribution of the Preferred Interests; and
- (i) Subject to compliance by the Independent Fiduciary with Section 3 hereof and the accuracy of the Independent Fiduciary’s representations stated herein, it is not necessary in connection with the offer, sale and delivery of the Preferred Interests by the Issuer to AT&T Inc. or by AT&T Inc. to the Trust to register the Preferred Interests under the 1933 Act.

3. The Independent Fiduciary, acting on behalf of the Trust:

- (a) Represents and warrants that it has the authority to act on behalf of the Trust and that all action necessary on the part of the Independent Fiduciary, including its direction to the Trustee, to authorize the execution and delivery of this Agreement on behalf of the Trust has been taken;
- (b) Acknowledges that the Preferred Interests have not been registered under the 1933 Act and are being contributed to the Trust in reliance upon an exemption from such registration under the 1933 Act;
- (c) Acknowledges that the Trust is an institutional “accredited investor” within the meaning of Rule 501 under the 1933 Act;
- (d) Confirms that the Independent Fiduciary has been informed that the Preferred Interests (i) are not subject to any registration rights and (ii) are “restricted securities” under the 1933 Act and may not be resold or transferred;
- (e) Is aware of the adoption of Rule 144 under the 1933 Act (“Rule 144”) by the U.S. Securities and Exchange Commission, which permits limited public resale of securities of an issuer acquired in a nonpublic offering, subject to the satisfaction of certain conditions, including, among other things: (i) the availability of certain current public information about such issuer, (ii) such public resale being through a broker in an unsolicited “broker’s transaction”, with a “market maker” or in a

“riskless principal transaction” and (iii) the amount of securities being sold during any three month period not exceeding specified limitations;

- (f) Represents that, (i) prior to accepting the Contribution on behalf of the Trust, it acquired sufficient information about the Issuer to reach an informed and knowledgeable decision to accept the Contribution, (ii) it has such knowledge and experience in financial and business matters as to make it capable of evaluating the risks to the Trust of accepting the Contribution and to make an informed decision with respect thereto and (iii) the Trust is able to bear the economic risk of accepting the Contribution;
- (g) Agrees that the Issuer shall not be required (i) to transfer on its books any Preferred Interests that have been assigned, sold or otherwise transferred in violation of the provisions of this Agreement or the LLC Agreement nor (ii) to treat as the owner of the Preferred Interests, or otherwise to accord voting, distribution or other rights to, or admit as a member of the Issuer, any person to whom the Preferred Interests have been assigned, sold or otherwise transferred in contravention of this Agreement or the LLC Agreement; and further agrees that the Preferred Interests are issued pursuant to and are subject to the provisions of the LLC Agreement (a copy of which the Independent Fiduciary has received and reviewed);
- (h) Agrees that the Trust shall make no disposition of the Preferred Interests that is contrary to the terms of the Preferred Interests, this Agreement or the LLC Agreement, and shall not pledge or grant any security interest in the Preferred Interests; and
- (i) Acknowledges that, in order to reflect the restrictions on the disposition of the Preferred Interests, the Preferred Interests will either be issued in certificated form and held in custody by the Issuer's transfer agent or issued in uncertificated form and evidenced on the Issuer's or its transfer agent's books (at the Issuer's option), in either case subject to restrictive legends or restrictive notations in such books indicating that the Preferred Interests are subject to the provisions of this Agreement and the LLC Agreement (in addition to such other legends or notations contemplated by the LLC Agreement).

4. The Preferred Interests shall, pursuant to the LLC Agreement, accrue cumulative distributions of \$1.75 per Preferred Interest per annum, payable quarterly upon declaration by the Issuer and pursuant to the LLC Agreement. At any time when distributions on any outstanding Preferred Interests are in arrears for purposes of the LLC Agreement: (a) the Issuer shall not be permitted to make any transfer of cash to AT&T Inc. or any other member of the Issuer, whether pursuant to a loan, equity distribution or any other arrangement, and (b) AT&T Inc. shall not be permitted to declare any dividends on or make any repurchases of its common stock.

5. The Independent Fiduciary acknowledges that the aggregate fair market value of the Preferred Interests as of [•] is as set forth in Schedule B. AT&T Inc. agrees that its valuation of the Preferred Interests as of the Contribution Date for purposes of the minimum amount

required to meet the funding requirements of sections 412 and section 430 of the Code (without regard to any subsequent adjustments required by such funding requirements with respect to interest accrual or investment experience) shall not exceed the value of the Preferred Interests set forth in Schedule B.

6. The price for each Preferred Interest (“Option Price”) in the event of an exercise of a Call Option or a Put Option (described below) is the greater of (i) the fair market value of the Preferred Interest, determined by the Independent Fiduciary as of the last date of the calendar quarter preceding the date of notice of exercise of a Call Option or Put Option, as the case may be, or, for the portion of Preferred Interests that cannot be purchased due to the limitations described in Section 8 below, the fair market value of the Preferred Interest, determined by the Independent Fiduciary as of the last date of the calendar quarter immediately preceding the date such portion of the Preferred Interest is actually purchased by AT&T Inc., and (ii) the sum of (a) \$25.00 (*i.e.*, \$8 billion in the aggregate) plus (b) any accrued and unpaid distributions.

7. The Independent Fiduciary, on behalf of the Trust, hereby grants to AT&T Inc. and its wholly-owned, direct or indirect, affiliates and the Issuer the right (individually or collectively, the “Purchaser”) to purchase from the Trust all or any portion of the Preferred Interests (the “Call Option”), at a price per Preferred Interest equal to the Option Price, at any time and from time to time (a) during the twelve month period following the date AT&T Inc. issues an annual report reflecting the fully funded status of the Plans (on a U.S. GAAP basis), (b) on or after a “Change of Control” of the Issuer as described in Section 9 (and subject to the additional terms of such Section 9) or (c) on or after the fifth anniversary of the Contribution Date. The Call Option is exercisable by the Purchaser upon 30 days’ prior written notice to the Independent Fiduciary.

8. AT&T Inc. and the Issuer hereby grant to the Trust the right to require AT&T Inc. to purchase the Preferred Interests (the “Put Option”), at a price per Preferred Interest equal to the Option Price, at any time and from time to time on or after the earliest of (a) the first date that the Issuer’s debt-to-total-capitalization ratio (as defined below) exceeds that of AT&T Inc., (b) a “Change of Control” of the Issuer as described in Section 9 (and subject to the additional terms of such Section 9), or (c) the seventh anniversary of the Contribution Date; provided, however, that except in the event of a Change of Control of the Issuer, AT&T Inc. shall not be required to purchase more than 106,666,667 Preferred Interests in any twelve month period. For purposes of this Section 8, the Issuer’s “debt-to-total-capitalization ratio” is defined as the sum of the Issuer’s debt maturing within one year and long-term debt (both taken directly from the Issuer’s most recently prepared US GAAP balance sheet) divided by the sum of the Issuer’s debt maturing within one year, long-term debt and total members’ equity including outstanding Preferred Interests (all taken directly from the Issuer’s most recently prepared US GAAP balance sheet), and AT&T Inc.’s “debt-to-total-capitalization ratio” is defined as the sum of AT&T Inc.’s debt maturing within one year and long-term debt (both taken directly from AT&T Inc.’s most recently prepared US GAAP balance sheet) divided by the sum of AT&T Inc.’s debt maturing within one year, long-term debt and total shareholders’ equity (all taken directly from AT&T Inc.’s most recently prepared US GAAP balance sheet). Upon the Independent Fiduciary’s reasonable request, as of the end of any calendar quarter, but not more frequently than twice in any calendar year, AT&T Inc. shall, within forty-five (45) calendar days after the end of such calendar quarter, certify as to whether the Issuer’s debt-to-total-capitalization ratio exceeds that

of AT&T Inc. The Put Option is exercisable by the Independent Fiduciary on behalf of the Trust upon 60 days' prior written notice to AT&T Inc. The obligation to purchase the Preferred Interests upon exercise of the Put Option may be consummated by any Purchaser.

9. For purposes of Sections 7 and 8 hereof, a "Change of Control" of the Issuer means (i) the occurrence of any merger, reorganization or other transaction that results in AT&T Inc., directly or indirectly, owning less than fifty percent of the capital or profits interests (where the Issuer remains taxable as a partnership), or equity (if the Issuer becomes taxable as a corporation), of the Issuer exclusive of the Preferred Interests or (ii) a transfer of fifty percent or more of the Plan liabilities and Trust assets to an entity not under common control with AT&T Inc. In the event of a Change of Control, AT&T Inc. may exercise or assign its Call Option to the Issuer or to any successor owner of fifty percent or more of the capital or profits interest (or equity) of the Issuer (exclusive of the Preferred Interests). If the Call Option is not exercised upon such Change of Control, AT&T Inc. and the Issuer agree that they shall negotiate in good faith with the Independent Fiduciary to determine appropriate treatment of the Preferred Interests (including but not limited to conversion of the Preferred Interests into, or the exchange of the Preferred Interests for, replacement equity or debt securities of AT&T Inc. or the Issuer), subject to the approval of the Independent Fiduciary, in its sole discretion. If no such agreement can be reached within 60 days of the Change of Control, the Put Option shall become exercisable in full, thereby giving the Independent Fiduciary the right to require AT&T Inc. to purchase all or any portion of the Preferred Interests at the Option Price, except that (i) the limitation on the number of Preferred Interests that AT&T Inc. may be required to purchase in any twelve month period as described in Section 8 shall not apply and (ii) AT&T Inc. shall have a period of up to one year to pay the Option Price.

10. At the sole election of AT&T Inc. or other Purchaser, as the case may be, payment of the Option Price may be made in (i) fully paid and non-assessable shares of AT&T Inc. common stock ("AT&T Shares"), (ii) cash, or (iii) a combination of AT&T Shares and cash. Any AT&T Shares delivered to pay all or a portion of the Option Price shall be priced at the average closing price of the 20 trading days preceding the date of the applicable notice of exercise (or, in the case of a delayed payment pursuant to the twelve month payment period described in Section 9 above in connection with a Change of Control, the 20 trading days preceding the date of payment). AT&T Inc. and the Trust have executed and delivered a Registration Rights Agreement, dated as of the date hereof, incorporated herein for all purposes, providing for the registration of the AT&T Shares under the 1933 Act and other matters as provided therein.

11. Notwithstanding anything herein to the contrary, in no event shall AT&T Inc. or any other Purchaser, as the case may be, be required to deliver more than 250 million AT&T Shares (the "Capped Number") to the Trust in settlement of the Option Price for the Preferred Interests; provided, however, AT&T Inc. may, in its discretion, deliver more than the Capped Number of AT&T Shares. AT&T Inc. represents and warrants that the Capped Number is equal to or less than the number of authorized but unissued AT&T Shares that are not reserved for future issuance on the date of determination of the Capped Number (which, for the avoidance of doubt, is [the date of execution], 201_). In the event AT&T Inc., through delivery of the Capped Number of AT&T Shares and AT&T Shares in addition to the Capped Number of AT&T Shares, if any, shall not have delivered the full number of AT&T Shares otherwise deliverable in

settlement of the Option Price for the Preferred Interests, AT&T Inc. will use its best efforts to authorize and deliver additional AT&T Shares. AT&T Inc. may elect, solely at its option, to settle the Option Price, in whole or in part, by delivering cash. In the event of a merger, reorganization, consolidation, recapitalization, separation, split-up, liquidation, share combination, stock split, stock dividend, or other change in the corporate structure of AT&T Inc. affecting the AT&T Shares (including a conversion of the AT&T Shares into cash or other property), an adjustment may be made in the number and class of shares that may be delivered in settlement of the Option Price for the Preferred Interests, as determined by AT&T Inc. to prevent dilution with respect to the Capped Number and reflect such changes in corporate structure (e.g. substitution of successor shares). In the event AT&T Inc., through delivery of the Capped Number of AT&T Shares and AT&T Shares in addition to the Capped Number of AT&T Shares, if any, shall not have delivered the full number of AT&T Shares otherwise deliverable in settlement of the Option Price for the Preferred Interests (resulting in a shortfall), the Preferred Interests for which neither AT&T Shares nor cash have been delivered shall remain outstanding, in accordance with their terms.

12. AT&T Inc. and the Issuer shall be solely responsible for (i) determining the proper treatment of the Preferred Interests, any distributions or other payments with respect thereto, or any proceeds of any redemption or conversion thereof for tax or financial accounting purposes; (ii) any and all regulatory reporting or filings required in connection with or as a result of the Contribution or the Trust's ownership or disposition of the Preferred Interests; (iii) the payment of any franchise or similar fees or taxes with respect to the Preferred Interests; and (iv) any transfer agency or similar fees or expenses relating to the issuance or transfer of the Preferred Interests.

13. The obligation of the Independent Fiduciary to accept the Contribution on behalf of the Trust as provided in Section 1 hereof is subject to the fulfillment by or at the Contribution Date of each of the following conditions, any or all of which may be waived in writing by the Independent Fiduciary, in its sole discretion:

- (a) The representations and warranties of AT&T Inc. and the Issuer contained in this Agreement that are qualified as to materiality or material adverse effect will be true and correct and those not so qualified will be true and correct in all material respects, in each case on and as of the Contribution Date as though made on and as of the Contribution Date, except in the case of representations and warranties which are expressly made as of a specific date (in which case such representations and warranties will be true and correct or true and correct in all material respects, as applicable, on and as of such specified date);
- (b) Each of AT&T Inc. and the Issuer shall have performed or complied in all material respects with all agreements, undertakings and covenants required by this Agreement to be performed or complied with by them at or prior to the Contribution Date; and
- (c) The PTE permits the Contribution and the holding of the Preferred Interests and AT&T Shares by the Trust and all the ancillary transactions contemplated

pursuant to this Agreement, including without limitation, the transactions necessary to effectuate the Call Option and the Put Option.

14. This Agreement shall be binding upon, and inure solely to the benefit of, the Trust, the Independent Fiduciary, AT&T Inc., the Issuer and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No assignee, purchaser or any other transferee of any Preferred Interests from the Trust shall be deemed a successor or assign of the Trust for the purpose of this Section 14 solely by reason of such assignment, purchase or other transfer.

15. This Agreement may be amended only by mutual written agreement of the parties.

16. This Agreement shall terminate only at such time as the PTE (or any successor thereto) shall no longer be necessary for the Trust to hold or dispose of the Preferred Interests or any AT&T Shares received in exchange therefor pursuant to this Agreement.

17. In the event of the termination or resignation of the Independent Fiduciary, AT&T Inc. shall promptly appoint a successor independent fiduciary in accordance with the terms of that certain Investment Management Agreement of even date herewith by and among AT&T Services, Inc., AT&T Inc. and the Independent Fiduciary. Such successor independent fiduciary shall acknowledge in writing the assignment to it of this Agreement and its acceptance of all rights and responsibilities of the Independent Fiduciary hereunder. In the event of the failure of AT&T Inc. or its affiliates to promptly appoint a successor Independent Fiduciary, the Trustee shall succeed to and may assert the rights of the Independent Fiduciary hereunder in accordance with the terms of the Trust's Declaration of Trust, and/or may seek the appointment by a court of competent jurisdiction of a substitute trustee to exercise the rights of the Independent Fiduciary hereunder, and AT&T Inc. shall fully indemnify and hold harmless the Trust from any costs or liability in connection therewith, including as a result of violating the terms and conditions of the PTE for failure to maintain an independent fiduciary.

18. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, to the extent not preempted by ERISA or other federal law.

19. The Preferred Interests described herein have been issued pursuant to, and are subject to the provisions of, the LLC Agreement. In the case of a conflict between this Agreement (including Schedule A hereto) and the LLC Agreement with respect to terms and conditions of the Preferred Interests (including rights and obligations thereto), the LLC Agreement shall control.

20. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

AT&T INC.

By: _____

Name:

Title:

AT&T MOBILITY II LLC

By: AT&T MOBILITY CORPORATION, its sole Manager

By: _____

Name:

Title:

BROCK FIDUCIARY SERVICES, LLC

By: _____

Name:

Title:

JP MORGAN CHASE BANK, N.A., as trustee of
the SBC Master Pension Trust

By: _____

Name:

Title:

Schedule A

Terms of Series A Cumulative Perpetual Preferred Membership Interests	
Issuer	AT&T Mobility II LLC (the "Issuer")
Securities to be Contributed	320,000,000 units of Series A Cumulative Perpetual Preferred Membership Interests (the "Preferred Interests")
LLC Agreement	The Preferred Interests have been issued pursuant to, and are subject to the provisions of, the Third Amended and Restated Limited Liability Company Agreement of AT&T Mobility II LLC, dated as of _____, 2012 (the "LLC Agreement"). In the case of a conflict between the Contribution Agreement (including this Schedule A) and the LLC Agreement with respect to terms and conditions of the Preferred Interests (including rights and obligations relating thereto), the LLC Agreement shall control.
Distributions	The Preferred Interests shall accrue cumulative distributions of \$1.75 per Preferred Interest per annum, payable quarterly upon declaration by the Issuer, as and to the extent provided in the LLC Agreement. At any time when distributions on any outstanding Preferred Interests are in arrears for purposes of the LLC Agreement: (i) the Issuer shall not be permitted to make any transfer of cash to AT&T Inc. or any other member of the Issuer, whether pursuant to a loan, equity distribution or any other arrangement, and (ii) AT&T Inc. shall not be permitted to pay any dividends on or make any repurchases of its common stock.
Ranking	The Preferred Interests shall rank senior to any other class or series of equity interests in the Issuer in respect of the right to receive distributions and the right to receive payments or distributions out of the assets of the Issuer upon voluntary or involuntary liquidation, dissolution or winding up of the Issuer.
Liquidation Preference	In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Issuer, then, before any distribution or payment shall be made to the holders of any other class or series of equity interests, the holders of the Preferred Interests shall be entitled to \$25.00 per Preferred Interest plus any accrued and unpaid distributions.
Transfer Restrictions	Sale, assignment and transfer of the Preferred Interests is subject to the provisions of the LLC Agreement.
Voting	Holders of Preferred Interests shall not have any voting rights (or other approval rights) with respect to their interest in the Issuer or as to any other matter as a result of holding the Preferred Interests, except as provided in the LLC Agreement with respect to certain amendments to the LLC Agreement.

Issuer	AT&T Mobility II LLC (the "Issuer")
Securities to be Contributed	320,000,000 units of Series A Cumulative Perpetual Preferred Membership Interests (the "Preferred Interests")
LLC Agreement	The Preferred Interests have been issued pursuant to, and are subject to the provisions of, the Third Amended and Restated Limited Liability Company Agreement of AT&T Mobility II LLC, dated as of _____, 2012 (the "LLC Agreement"). In the case of a conflict between the Contribution Agreement (including this Schedule A) and the LLC Agreement with respect to terms and conditions of the Preferred Interests (including rights and obligations relating thereto), the LLC Agreement shall control.
Distributions	The Preferred Interests shall accrue cumulative distributions of \$1.75 per Preferred Interest per annum, payable quarterly upon declaration by the Issuer, as and to the extent provided in the LLC Agreement. At any time when distributions on any outstanding Preferred Interests are in arrears for purposes of the LLC Agreement: (i) the Issuer shall not be permitted to make any transfer of cash to AT&T Inc. or any other member of the Issuer, whether pursuant to a loan, equity distribution or any other arrangement, and (ii) AT&T Inc. shall not be permitted to pay any dividends on or make any repurchases of its common stock.
Ranking	The Preferred Interests shall rank senior to any other class or series of equity interests in the Issuer in respect of the right to receive distributions and the right to receive payments or distributions out of the assets of the Issuer upon voluntary or involuntary liquidation, dissolution or winding up of the Issuer.
Liquidation Preference	In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Issuer, then, before any distribution or payment shall be made to the holders of any other class or series of equity interests, the holders of the Preferred Interests shall be entitled to \$25.00 per Preferred Interest plus any accrued and unpaid distributions.
Transfer Restrictions	Sale, assignment and transfer of the Preferred Interests is subject to the provisions of the LLC Agreement.
Voting	Holders of Preferred Interests shall not have any voting rights (or other approval rights) with respect to their interest in the Issuer or as to any other matter as a result of holding the Preferred Interests, except as provided in the LLC Agreement with respect to certain amendments to the LLC Agreement.

Schedule B
Statement of Fair Market Value

Pursuant to the valuation report provided by the Independent Fiduciary, the aggregate fair market value of the Preferred Interests is \$_____.

**EXHIBIT D.3
TO
EXEMPTION APPLICATION
INVESTMENT MANAGEMENT AGREEMENT**

INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (this "Agreement") is entered into by and among AT&T Services, Inc. (the "Company"), in its corporate capacity and as plan administrator and named fiduciary of the employee benefit plans funded by the SBC Master Pension Trust (the "Trust"), AT&T Inc., solely for purpose of providing the indemnity contained in guaranteeing payment of any amount due under Section 9 of this Agreement; and Brock Fiduciary Services LLC, a Delaware limited liability company ("Brock" or the "Investment Manager") (collectively, the "Parties").

RECITALS

WHEREAS, the Pension Trust is established pursuant to a Declaration of Trust originally effective as of January 1, 2007, and amended and restated in its entirety effective as of February 1, 2012, by and between the Company and J.P. Morgan Chase Bank, N.A., as Trustee thereof (the "Trustee"), to hold the assets of certain pension plans of the Company identified in such Declaration of Trust (the "Plans");

WHEREAS, the Company has been appointed the "Plan Administrator" (as that term is defined in section 3(16)(A) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and "named fiduciary" within the meaning of section 402(a)(2) of ERISA, of the Plans;

WHEREAS, the Company has delegated to the AT&T Inc. Benefit Plan Investment Committee (the "Committee") the Plans with the power and authority, *inter alia* to appoint and remove trustees and investment managers, to enter into and amend trust agreements or other agreements relating to the management of Plan assets and, in so doing, has designated the Committee as a "named fiduciary" with respect to the Plans with the foregoing power and authority;

WHEREAS, AT&T Inc. has determined to make a contribution (the "Contribution") of employer securities, within the meaning of section 407(d)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"),¹ to the Trust, in the form of cumulative perpetual preferred membership interests (the "Preferred Interests") in AT&T Mobility II LLC, a limited liability company organized and existing under the laws of the State of Delaware (the "Subsidiary"), pursuant to an agreement of even date herewith by and between AT&T Inc. and Brock, acting as Independent Fiduciary on behalf of the Trust (the "Contribution Agreement"), the rights and features of such Preferred Interests to be determined by AT&T Inc. in its sole discretion, subject to negotiations with and the agreement of Brock in its capacity as Independent Fiduciary under an Independent Fiduciary Agreement among the parties dated as of May 1,

¹ All references to ERISA hereunder include the parallel prohibited transaction provisions of section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), to the extent applicable.

2012 (the “Independent Fiduciary Agreement”), and consistent with the terms of the PTE referenced below;

WHEREAS, the Preferred Interests will not be “qualifying employer securities” within the meaning of ERISA section 407(d)(5), and therefore the Company cannot make the Contribution without, and thus intends to apply for, an individual prohibited transaction exemption (“PTE”) from the Department of Labor (“DOL”) in connection with the Contribution;

WHEREAS, the responsibilities of the Independent Fiduciary pursuant to the Independent Fiduciary Agreement end upon the later of the completion of the Contribution and the completion of the Independent Fiduciary’s Report as provided by such Agreement;

WHEREAS, the Company anticipates that the continued holding, monitoring and disposition of the Preferred Interests subsequent to the Contribution will be subject to the terms and conditions of the PTE when issued by the DOL; and

WHEREAS, the Company and the Committee have determined to appoint Brock as investment manager with full discretion to manage that portion of the Trust’s assets which initially consist of the Preferred Interests and to continue serving as the independent fiduciary pursuant to the terms of the PTE with respect to the Trusts, effective from and after the date of the Contribution.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein, it is agreed as follows:

1. APPOINTMENT AS INVESTMENT MANAGER.

(a) **Appointment.** The Investment Manager hereby represents and warrants that it is (and shall continue to be during the term of its engagement hereunder) an investment adviser registered under the Investment Advisers Act of 1940, as amended, and that it is (and shall continue to be) qualified to act as an “investment manager” (as that term is defined in section 3(38) of ERISA). On the basis of such representation and warranty, and in accordance with the applicable provisions of the Declaration of Trust, the Investment Manager hereby is appointed as an investment manager within the meaning of section 3(38) of ERISA, and to continue as independent fiduciary for purposes of the PTE, with respect to that portion of the Trust’s assets that consist of the Preferred Interests and any shares of AT&T Inc. common stock (the “Shares”) received by the Trust in exchange therefor pursuant to the Contribution Agreement, effective from and after the date of the Contribution, all in accordance with the duties and responsibilities described in this Agreement. The Company and the Committee acknowledge receipt of a current and valid copy of the Investment Manager’s Form ADV, Part II.

(b) **Fiduciary Status.** The Investment Manager acknowledges that it is a “fiduciary” (as such term is defined in section 3(21) of ERISA) of the Plan with respect to the acceptance by the Plans and Trust of the Contribution, to the extent of its authority and responsibility as set forth in this Agreement. The Investment Manager represents that it is not subject to any of the disqualifications described in section 411 of ERISA or Part I(g) of PTE 84-14. The Investment Manager shall perform its duties with respect to

the services to be performed under this Agreement in compliance with Section 20 hereof and applicable law.

(c) **Due Authority.** Each of the Parties represents and warrants that it is authorized to enter into and perform its obligations under this Agreement without limitation, and that no further authorizations or consents are required.

2. AUTHORITY AND OBLIGATIONS. The Investment Manager shall have full authority and discretion to direct the Trustee with respect to the holding and disposition of the Preferred Interests and any Shares received by the Trust in exchange therefor pursuant to the Contribution Agreement. In performing its responsibilities hereunder, the Investment Manager shall value the Preferred Interests once each calendar quarter using the methodology contained in the valuation report delivered pursuant to Section 2(a) of the Independent Fiduciary Agreement (absent extraordinary circumstances), and report such value to the Committee within 45 days of the quarter end and shall provide an estimate of the year end valuation within 5 business days of the end of each year. In addition, the Investment Manager shall have the following authority, to be exercised in its sole discretion:

(a) to exercise all rights of the Trust with respect to the Preferred Interests, as set out in (and subject to the terms of) the Contribution Agreement, including but not limited to negotiating and accepting any amendments to the Contribution Agreement;

(b) to enter into any agreements for the benefit of the Plan and the Trust, in order to carry out the purposes of this Agreement; and

(c) to make any decision to sell, loan, hypothecate, pledge as security for a loan, exchange, convert, securitize, sell interests in, redeem, or otherwise dispose of, any and all of the Shares received by the Trust in exchange therefor pursuant to the Contribution Agreement.

The foregoing responsibilities shall be subject only to the terms of the Preferred Interests and any conditions or limitations imposed on ownership and disposition of the Preferred Interests under the Contribution Agreement or in the PTE issued by the DOL with respect to the Contribution of the Preferred Interests to the Trust and applicable law.

3. LIMITATIONS ON SCOPE OF SERVICES. The Investment Manager shall have no authority or responsibility with respect to the following, and the subject matter of the engagement pursuant to Section 2 shall not include any of the following:

(a) accepting the Preferred Interests on behalf of the Trust (except as and to the extent provided in the separate Independent Fiduciary Agreement), or determining whether the Preferred Interests, or any terms and conditions thereof comply with any laws or regulations other than ERISA applicable to the Company or the Trust, including but not limited to federal or state telecommunications laws and regulations promulgated by the Federal Communications Commission (FCC), securities laws and regulations, and applicable corporate laws;

(b) determining the treatment of the Preferred Interests for tax, financial accounting or any other purpose;

(c) the filing of any forms or documents with any regulatory authority, including but not limited to DOL, the Internal Revenue Service, the Pension Benefit Guaranty Corporation, the FCC, or the Securities and Exchange Commission, except that the Investment Manager shall cooperate with the Company or the Committee in completing and filing any such forms or documents as reasonably requested;

(d) preparing or making any disclosures or other communications to Plan participants, Company employees or any third parties;

(e) except as provided by ERISA with respect to co-fiduciary liability, acts or omissions of fiduciaries or persons other than the Investment Manager and its officers, directors, principals, shareholders, members, managers, employees and agents;

(f) losses, claims, damages, fees, expenses, judgments, settlements or the like arising from matters outside the scope of services the Investment Manager has agreed to render hereunder;

(g) evaluating or advising the Company or the Committee on any assets of the Trusts other than the Preferred Interests and any Shares received by the Trust in exchange therefor pursuant to the Contribution Agreement, including but not limited to any Company securities of any kind acquired by the Trusts other than pursuant to the Contribution;

(h) investment of the cash proceeds of any sale or other disposition of the Preferred Interests, any distributions on the Preferred Interests or upon the sale of any Shares received by the Trust in exchange therefor pursuant to the Contribution Agreement;

(i) investment of the proceeds of any sale or other disposition, or pledge, of Shares received by the Trust pursuant to the Contribution Agreement, provided that before releasing funds obtained using Shares as security or collateral, the Investment Manager may require that the Committee agrees to honor any contract terms negotiated by the Investment Manager relating to the repayment of principal and interest or substitution of collateral; and provided further, that this subparagraph (i) shall not apply to the holding and investment of collateral or other assets resulting from a loan of such Shares or other arrangement involving such Shares entered by the Investment Manager solely as an investment or hedge, which shall remain the sole responsibility of the Investment Manager;

(j) valuing any assets of the Trusts other than the Preferred Interests, or determining whether the acquisition or holding of the Preferred Interests by the Trust violates the percentage limitation of ERISA section 407(a)(2) with respect to any Plan the (or such other percentage limitation as may be set out in the PTE);

(k) recommending any amendments to the Trust or the Plans, except to the extent the Investment Manager determines that such an amendment is necessary or appropriate to aid the Investment Manager in exercising the Trust's rights vis-à-vis the Preferred Interests;

(l) paying benefits under any Plan, or ensuring the continuation of any Plan;

(m) establishing or changing the investment goals or operation of any Plan or the Trust; or

(n) rendering legal advice of any sort.

4. ADDITIONAL DUTIES AND REPRESENTATIONS OF THE PARTIES.

(a) **Independence.** The Investment Manager represents and warrants that it is independent of and unrelated to the Company and that:

(i) it does not directly or indirectly control, is not controlled by, and is not under common control with the Company;

(ii) neither it, nor any of its officers, directors, principals, shareholders, members, managers or employees is an officer, director, partner or employee of the Company; and

(iii) it does not have any interest that would affect its best judgment as described in DOL Regulation §2550.408(b)-2(e)(1).

(b) **Regulatory Compliance.** The Investment Manager represents and warrants to the Trust that it has secured, paid for, and completed any and all registrations, filings, permits, licenses, consents and examinations required by any governmental authority with regulatory authority or oversight over the Investment Manager in connection with the performance of its duties and responsibilities under this Agreement, and any contractual obligation, law or regulation to which it is subject. The Investment Manager is a "Qualified Professional Investment Manager" within the meaning of PTE 84-14.

(c) **Persons to Perform Services.** The Investment Manager shall advise the Company and the Trustee from time to time in writing as to the employees or officers of, or other persons affiliated with, the Investment Manager who are authorized to act on behalf of the Investment Manager in connection with performance of services under this Agreement, and shall provide the foregoing with specimen signatures of such persons. The Investment Manager represents and warrants that such persons are individuals who are experienced or knowledgeable in the performance of the various functions of the nature contemplated by this Agreement. The Investment Manager shall provide the Company and the Trustee with prompt notice of any material change in control of the Investment Manager or in the event of any change with regard to the list of authorized persons described above. The Company shall appropriately direct the Trustee with respect to the authority of such persons over the Trust.

(d) **Persons Authorized to Act on Behalf of the Company.** The Company shall furnish the Investment Manager from time to time, upon request of the Investment Manager, with the names, titles and authorities of its officers and employees who are authorized to act on behalf of the Company, the Committee and/or the Trust with respect to the Preferred Interests, together with specimen signatures of those individuals who are authorized to act with respect to the Investment Manager. Upon request by the Company, the Committee or the Trustee, the Investment Manager shall furnish the Company, the Committee and the Trustee, respectively, with the names of the persons authorized to act on its behalf and provide specimen signatures of those individuals who are authorized to act on its behalf with respect to the Preferred Interests in a form and manner acceptable to the Company, the Committee and the Trustee.

(e) **Information to be Furnished.** The Company has provided or shall timely provide the Investment Manager with copies of the current Plan and Trust documents including all amendments thereto as well as current information and all other disclosures provided to Plan participants and beneficiaries regarding the Preferred Interests, a copy of the Contribution Agreement, and copies of its application to the DOL for the PTE and all correspondence with the DOL regarding the PTE, and will furnish or cause to be furnished to the Investment Manager during the term of this Agreement (i) current copies of the Plans and any subsequent amendments to the Trust; and (ii) copies of the Plans' and the Trust's most recent Form 5500 and 990 filings and all other financial and other information regarding the Plans and the Trust as and when reasonably requested by the Investment Manager, as well as reasonable access to internal staff and outside professionals engaged by the Company. The Company represents that the information that is provided will be accurate and complete in all material respects to the best of its knowledge and will be timely provided. The Investment Manager and its affiliates shall be entitled to rely upon and assume the accuracy and completeness of such information so provided.

(f) **Cooperation.** The Committee shall furnish the Investment Manager with any material information relating to the Preferred Interests which may come to its attention in its fiduciary capacity under the Plans.

(g) **ERISA Section 408(b)(2).** The Investment Manager is a covered service provider as defined in DOL Reg. §2550.408(b)-2(c)(1)(iii). The Investment Manager expects to receive from the Trust direct compensation (as defined in the Final Rule) for its services in connection with this Agreement, which services are described in greater detail in Section 2. This direct compensation is expected to be paid to the Investment Manager in the manner described in Section 14. In the event of the termination of the Investment Manager's services described herein with respect to the Trusts, the Investment Manager expects to receive only the direct compensation otherwise due through the effective date of such termination as provided in Section 16. The Investment Manager does not expect to receive any indirect compensation (as defined in DOL Reg. §2550.408(b)-2(c)(1)(viii)(B)(2)) in connection with the aforementioned services to the Trust. The Investment Manager also does not expect to receive or pay, and shall not accept or pay, any direct or indirect compensation (as those terms are defined in DOL Reg. §2550.408(b)-2(c)(1)(vii)(B)) to or from any party, or to charge any direct or

indirect compensation directly against the Trust or against the assets in the Trust, other than as detailed herein.

(h) **Company as Named Fiduciary.** The Company acknowledges that it is a “named fiduciary” (as that term is defined in section 402(a)(2) of ERISA) for the Plans and the Trust. The Committee acknowledges that it has been designated by the Company to carry out its duties as “named fiduciary” as so defined and that it has the authority to designate the Investment Manager as investment manager pursuant to this Agreement.

(i) **Reliance.** The Investment Manager acknowledges that the acknowledgements, representations warranties and agreement contained in this Agreement are continuing and are understood to be relied upon by the Committee, the Company, and the Trustee (including any successor or substitute Trustee), and it shall promptly notify the Committee in writing in the event that any of the acknowledgements, representations, warranties or agreements are, or are anticipated to be, no longer true.

5. RECORDS. The Investment Manager shall maintain accurate books and records relating to all transactions involving Preferred Interests for a period of seven (7) years or longer as required by applicable law following the calendar year in which such transactions were effected. The Investment Manager shall take all reasonable steps to assist the Trustee in keeping accurate and detailed records of all transactions involving Preferred Interests and shall reconcile with the Trustee accounts and statements of all assets (including holdings detail), performance and transactions at least monthly. The Investment Manager shall from time to time make reports concerning the status of the Preferred Interests; furnish to the Trustee and Committee such financial statements and reports and other information as the Trustee and Committee may, in their sole discretion, reasonably request from time to time with respect to the Preferred Interests, or with respect to such reports as may be required to be prepared and furnished by the Trustee pursuant to the provisions of the Declaration of Trusts; and furnish such information concerning the Preferred Interests to such persons as the Company may, in writing, reasonably request. The Investment Manager shall maintain such records for the period required by ERISA or other applicable law.

6. AUDITING. The Investment Manager agrees that the Company and the Committee shall have the right, through authorized representatives of the Company and through independent certified public accountants engaged by the Company or the Committee, as the case may be, to inspect and audit, during normal business hours of the Investment Manager, all of the Investment Manager’s records, files and other documents (including, without limitation, documentation relating to expenses reimbursed pursuant to Section 14(d)) related to its performance of this Agreement.

(a) In order to fulfill the requirements of an audit requested with respect to this Agreement, the Investment Manager agrees to permit the Trustee, the Committee and the Company to inspect and audit, during normal business hours of the Investment Manager, any and all of the Investment Manager’s records, files and other documents relevant to transactions that directly impact the Preferred Interests. The Investment Manager agrees to assist in any reasonable manner in the satisfactory completion of the

audit and, upon a Party's request, to provide such data as the Company may request in a format that is mutually agreed upon by both parties.

(b) In connection with an audit requested with respect to this Agreement, the Company agrees to provide prior notice in writing when it desires to make an audit of the Investment Manager; to pay all reasonable extraordinary expenses incurred by the Investment Manager during the audit which have been agreed to in advance by the Company; to take all reasonable necessary steps to assure minimal interference with the Investment Manager's operation; to allow the Investment Manager to review the audit results and include with it a supplementary statement containing facts deemed pertinent to the audit; and to provide a complete copy of the audit results, upon request by the Investment Manager, provided the Investment Manager pays reasonable charges associated with such request.

7. INSURANCE AND BONDS.

(a) Any and all insurance and/or bonds that the Investment Manager may be required to carry under the laws, ordinances, and regulations of any governmental authority, with respect to the performance of services under this Agreement, are and shall be the sole responsibility of the Investment Manager.

(b) With respect to performance hereunder, the Investment Manager agrees to maintain, at all times during the term of this Agreement, all insurance applicable to the Investment Manager's performance of this Agreement in accordance with the standards and practices of the Investment Manager's industry. The Investment Manager agrees to furnish to the Company and the Committee, on or before the date that this Agreement is executed, certificates of insurance executed by a duly authorized representative of the insurer evidencing the foregoing insurance and to permit the Company or the Committee to inspect any such policies at the offices of the Investment Manager upon request. The Investment Manager further agrees to provide the Company with notice of any changes in such insurance that would cause the Investment Manager to not be in compliance with this Agreement, if implemented, at least 30 days prior to the effective date of any such change in such insurance. The Investment Manager also agrees to notify the Company and the Committee in writing at least 30 days before replacement or cancellation of such insurance.

(c) The Investment Manager is bonded to the extent required by ERISA section 412 or is exempt from such bonding requirements. The Investment Manager agrees to furnish to the Company, on or before the date that this Agreement is executed, a copy of the certificate or other acceptable proof of the foregoing bond and to permit the Company or the Committee to inspect any such bond at the offices of the Investment Manager upon request. The Investment Manager further agrees to provide the Company and the Committee with notice of any changes in such bond that would cause the Investment Manager to not be in compliance with this Agreement, if implemented, at least 30 days prior to the effective date of any such change in such bond. The Investment Manager also agrees to notify the Company in writing at least 30 days before replacement or cancellation of such bond.

8. LIMITATION ON LIABILITY. The Parties agree that the obligations of the Parties hereunder are solely corporate obligations, and no individual officer, director, employee, agent, shareholder, or controlling person of the Investment Manager or any of its affiliates, will be subject to any personal liability whatsoever in connection with this Agreement except as otherwise required by law.

9. INDEMNIFICATION OF THE INVESTMENT MANAGER. The Company and AT&T Inc. (collectively, the “Indemnitors”), to the extent permitted by applicable law, shall indemnify the Investment Manager and hold it and each of its officers, directors, principals, shareholders, members, managers, employees and agents (individually an “Indemnified Party”), harmless against any and all losses, claims, damages or liabilities, including reasonable legal fees and expenses (collectively, “Losses”), to which any Indemnified Party may become subject arising in any manner out of or in connection with the performance of the duties of the Investment Manager under this Agreement, except that such Indemnified Party will not be so indemnified to the extent any such Losses are finally adjudged by a court of competent jurisdiction, or are determined by another proceeding mutually agreeable to the Parties hereto, to have resulted from such Indemnified Party’s breach of fiduciary duty, material breach of this Agreement directly resulting in a loss to a Trust, fraud, negligence or willful misconduct. In addition, to the extent permitted by applicable law, the Company, in its capacity as plan administrator, waives any rights or claims it may have against any Indemnified Party in connection with the performance of services under this Agreement, except to the extent such claims are based on such Indemnified Party’s breach of fiduciary duty, material breach of this Agreement directly resulting in a loss to a Trust or the Company, fraud, negligence or willful misconduct. For purposes of this Agreement:

(a) Pursuant to the foregoing indemnification, the Indemnitors shall, upon notice, advance or pay or cause the Trust to advance or pay promptly to or on behalf of any Indemnified Party, all reasonable attorneys’ fees and other expenses and disbursements as they are incurred; provided, however, that the Indemnified Party shall first provide to the Indemnitors evidence of its ability to repay (which may consist of proof of insurance coverage) and, provided further, that it shall promptly reimburse to the Trust all amounts paid to it pursuant to this Section 9 to the extent that the Indemnified Party is finally adjudged to have acted in a manner that involved negligence, willful misconduct, breach of fiduciary duty, or material breach of this Agreement.

(b) If any Indemnified Party has any reason to believe that a potential or actual legal action or claim may exist or receives notice of the commencement of any action or proceeding involving the Indemnified Party, a Plan, a Trust, the Indemnitors, the Committee or any subsidiary, affiliate, director, officer, employee or agent of any of them, the Indemnified Party will give the Company reasonably prompt written notice thereof.

(c) If during the period of, or subsequent to the termination of, this Agreement, any Indemnified Party is required to participate in any legal or other proceeding (other than as a named party to such proceeding) in connection with the services contemplated by this Agreement, the Company will compensate the Indemnified

Party for such services or time required at the Indemnified Party's per diem rates then in effect, plus any reasonable legal fees and out-of-pocket expenses.

(d) It is understood by the Parties that the foregoing indemnification shall survive the termination of this Agreement and the termination, for any reason, of the services of the Investment Manager as a fiduciary with respect to the Plans and the Trust.

10. INDEMNIFICATION OF THE COMPANY.

(a) Subject to such limitations as may be imposed by ERISA or other applicable law, the Investment Manager undertakes to indemnify and hold harmless the Plans, the Trust, the Company, the Committee and all officers, directors, principals, shareholders, members, managers, employees, and agents of the Company (each an "Indemnified Company Party") of and from any Losses in connection with or arising out of (i) any breach of fiduciary duty by the Investment Manager, (ii) any failure of the Investment Manager to perform any of the duties undertaken by it under the provisions of this Agreement, (iii) any liability arising out of acts of the Investment Manager which constitute fraud, negligence, willful misconduct, material breach of this Agreement or violation of law.

(b) Anything hereinabove to the contrary notwithstanding, the Investment Manager shall have no responsibility to an Indemnified Company Party under the foregoing undertaking to the extent that it has been judicially determined that: (i) the Indemnified Company Party breached its fiduciary duties or failed to perform any of the duties undertaken by it under the provisions of this Agreement, or (ii) such liability arises out of acts of an Indemnified Company Party which constitute fraud, negligence, willful misconduct, material breach of this Agreement or violation of law.

11. DEFENSE AND SETTLEMENT. In the absence of agreement between the parties hereto to the contrary, but subject at all times to the indemnification provisions contained in this Agreement, each party shall prosecute its own defense of any third party cause of action involving the determination of the rights or obligations of any third party making any claim pursuant to this Agreement, the Plans, any applicable collective bargaining agreement or any local, state or federal law. Each party hereto shall have sole authority to select its counsel in any such proceeding. The Company shall take the lead in the prosecution of the defense of any such proceeding. The Investment Manager shall use its best efforts to obtain the cooperation of its employees and agents in the defense of any litigation arising in connection with this Agreement. Without the prior written consent of the Company, the Indemnified Party shall not enter into any settlement relating to any Loss which would create any financial or other obligation on the part of a Trust or a Plan under this Agreement. Without the prior written consent of the Investment Manager, the Indemnified Company Party will not enter into any settlement relating to any Loss which would lead to liability or create any financial or other obligation on the part of the Investment Manager.

12. IMPLEADER. The Investment Manager agrees not to implead or bring any action against the Company, any subsidiary or other affiliate of the Company, or any director, officer, employee, contractor or agent thereof, based on any claim by any person for personal

injury or death of any employee or agent of the Investment Manager that occurs in the course of the Investment Manager's performance of this Agreement, provided, however, that the foregoing shall not apply to circumstances wherein the Company, any subsidiary or other affiliate of the Company, or any director, officer, employee, contractor or agent thereof inflicts or is directly or indirectly responsible for the infliction of physical injury (whether or not such physical injury causes the death of the employee) upon an employee, contractor or agent of the Investment Manager.

13. COST OF ENFORCEMENT. In any action brought by either party against the other party to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover all reasonable attorney's fees and costs of the action.

14. FEES AND EXPENSES

(a) The Investment Manager shall be compensated for its services pursuant to this Agreement in the amount of \$275,000 per calendar quarter payable in arrears effective as of the first day of the calendar quarter following the completion of the Contribution. If the Investment Manager's services with respect to the Preferred Interests commence or terminate at any time other than at the end of a calendar quarter, such fee shall be prorated and the difference refunded based on the portion of such calendar quarter during which this Agreement was in force. Although certain reasonable fees and expenses incurred by the Investment Manager pursuant to this Agreement may be paid by the Company (whether or not reimbursed by the Trust), it is understood that the Investment Manager's sole professional responsibilities are to the Plans and Trust.

(b) After the Trust first becomes entitled or obligated to sell all or a portion of the Preferred Interests to AT&T Inc. pursuant to the Contribution, at the request of either the Investment Manager or the Company, as the case may be, the Manager shall consult with each other, in good faith, whether conditions in effect at such time warrant any adjustment in the compensation arrangements for the services provided and to be provided by the Investment Manager under this Agreement.

(c) In the event of a material change in the scope of the Investment Manager's engagement hereunder, or a non-recurring transaction or project (other than the Contribution) requiring significant additional services or analysis by the Investment Manager (by way of example only, a proposed initial public offering of equity interests in the Company), the Company, the Committee and the Investment Manager shall consult with each other on an appropriate fee for such additional services and/or any necessary and appropriate modifications to this Agreement.

(d) The Investment Manager's fee shall be paid by the Trust, and the Investment Manager is hereby authorized to direct the Trust to pay such fees within [7] days after invoices are therefor provided to the Company. The Investment Manager also is hereby authorized to direct the Trustee to reimburse the Investment Manager for its reasonable expenses, disbursements and costs that are incurred (i) for out-of-town travel and (ii) advice of outside counsel directly in support of the services described in Section 2 of this Agreement not sooner than 30 days after request thereby is delivered to the

Company. By submitting any such request for reimbursement, the Investment Manager shall be deemed to have represented to the Company and the Committee that such amounts have been determined by the Investment Manager to be reasonable within the meaning of section 408(b)(2) of ERISA for the services provided and have been paid by the Investment Manager. It is understood by the Parties that any outside legal counsel retained by the Investment Manager represents the Investment Manager exclusively, and the attorney-client privilege with respect to the above-described services will be solely between the Investment Manager, on behalf of the Plans, and such counsel.

(e) Invoices may be submitted by email or other electronic means acceptable to the Company and the Investment Manager. Unless the Investment Manager is otherwise advised in writing, invoices shall be directed to:

AT&T Services, Inc.
c/o William H. Hammond
Vice President, Investment Management
One AT&T Way
Room 3D101
Bedminster, New Jersey 07921-2693

15. CONFIDENTIALITY.

(a) The Investment Manager shall treat as confidential any Confidential Information with respect to the Preferred Interests, as well as with respect to any financial or other information relating to the Company or the Trust which it obtains in its capacity as the Investment Manager or otherwise.

(b) The Investment Manager shall promptly provide prior notice to the Company (except where such prior notice is prohibited by law), before it can disclose any information with respect to the Preferred Interests or the Trust that would be Confidential Information except that the disclosure is required by law, regulation or other binding authority, including (without limitation) requirements under ERISA, the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940. In the event that the Investment Manager is requested (by oral questions, interrogatories, subpoena duces tecum or similar process) to disclose any information that would be Confidential Information except for the requirement to disclose, the Investment Manager shall provide the Company with prompt notice of such request. In the event that the Investment Manager discloses information that would otherwise be Confidential Information without prior notice to the Company (because such disclosure is required by law and prior notification thereof to the Company is prohibited by law), the Investment Manager shall notify the Company concerning such disclosure as soon as practicable and permissible by law.

(c) Except to the extent required by applicable law, the Investment Manager shall not publish or otherwise distribute, without the Company's prior written approval, any advertising, press release or promotional or publicity material wherein the name, symbol, trademark or service mark of the Company, the Plans, or the Trust (including

any subsidiary, affiliate or other benefit plan or trust of the Company) (“Proprietary Information”) is mentioned, or language from which the connection of said name, symbol, trademark or service mark therewith may be inferred or implied. The Investment Manager shall cease any and all usage of the name, symbol, trademark or service mark of the Company, the Plans or the Trust immediately upon the termination of this Agreement. Notwithstanding the foregoing, the Company expressly approves the Investment Manager’s use of Proprietary Information in connection with advertising, press releases or promotional or publicity material to the extent that such promotional materials (i) accurately reflect information contained in public documents filed by the Company or any subsidiary or affiliate of the Company with any regulatory authority in connection with the Trust’s ownership of the Shares, and (ii) do not infer or imply any endorsement of the Investment Manager by the Company, the Plans or the Trust.

(d) All specifications, drawings, sketches, models, samples, tools, apparatus, software programs, technical information and specific investment advice, written or oral, furnished by the Investment Manager to the Company under this Agreement or in contemplation of this Agreement shall be considered to be proprietary. The Company specifically agrees to treat such information as confidential and shall not disclose such information to a third party without prior notice to and the written consent of the Investment Manager unless such disclosure is required by law, regulation or other binding authority, including (without limitation) requirements under ERISA, the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940. In the event that the Company is requested (by oral questions, interrogatories, subpoena duces tecum or similar process) to disclose any such information the Company shall provide the Investment Manager with prompt notice of such request. In the event that the Company discloses such information without prior notice to the Investment Manager (because such disclosure is required by law and prior notification thereof to the Investment Manager is prohibited by law), the Company shall notify the Investment Manager concerning such disclosure as soon as practicable and permissible by law.

(e) The Parties agree that the financial terms of this Agreement, including but not limited to the fees described in Section 14 of this Agreement, shall be treated as Confidential Information except as required by law. Any disclosure by either party hereto, any subsidiary or affiliate of either party hereto, or any employee or agent thereof, of any such financial terms, without the prior written permission of the other party hereto, shall be deemed to be a material breach of this Agreement.

(f) “Confidential Information” shall mean and include any and all records, data, input materials and other information received, computed, used or stored pursuant to this Agreement that are disclosed by the Company to the Investment Manager in accordance with this Agreement. Confidential Information does not include information that is (a) now available or becomes available to others without a breach of this Agreement; (b) lawfully obtained by a party to this Agreement from a third party or parties; (c) known by a party to this Agreement prior to disclosure under this Agreement; (d) developed by a party to this Agreement independently of disclosure under this Agreement; or (e) required to be disclosed by a party to this Agreement pursuant to any

applicable law, rule, regulation, order or ruling of any authorized court, agency or regulatory commission, but only to the extent that such disclosure is so required.

16. TERMINATION OF AGREEMENT

(a) The term of this Agreement shall end upon the later of the disposition of all Preferred Interests by the Trust or on such date when the PTE no longer is necessary for compliance with applicable law or applicable. Notwithstanding the foregoing, this Agreement may be sooner terminated as follows:

(i) The Investment Manager may resign by delivering to the Committee a written resignation that shall take effect 90 days after the date of such filing.

(ii) The Committee may terminate this Agreement by 30 days' written notice only for Cause, which, for purposes of this Agreement, shall be defined as any of the following:

(a) any disqualifying event described in ERISA section 411 or Section I(g) of PTE 84-14;

(b) determination by any court, arbitrator or government regulatory body that the Investment Manager has violated any civil or criminal law (including, but not limited to, securities, antitrust or ERISA) in connection with the performance of its responsibilities to the Trust. For purposes of avoidance of doubt in connection with this and the subsequent subparagraph, a "determination" shall mean any written judgment, order or decree; court-approved settlement; arbitration award; or enforcement action of a government regulatory body or self regulatory organization, in the form of a written sanction, claim, demand or opinion, whether or not appealable;

(c) determination by any court, arbitrator or government regulatory body that the Investment Manager has materially breached the terms of its engagement, whether or not appealable;

(d) any action by the Investment Manager that results in imposition of a civil or criminal sanction, any prohibited transaction excise tax, or any civil judgment or award of damages, on either Trust or their respective employees, officers directors or owners (whether or not subject to indemnity by the Investment Manager, an insurer, or any other person);

(e) failure of the Investment Manager to qualify as an "investment manager" within the meaning of ERISA section 3(38);

(f) any change in the clientele, business or ownership of the Investment Manager that results in an actual conflict of interest;

(g) if both Charles Brock and Stephen Wilson cease to be employed by the Investment Manager or its affiliates on substantially a full-time basis;

(h) violation of any conditions imposed on the Investment Manager under the terms of the PTE; or

(i) any other action or inaction of the Investment Manager that the Committee determines to be a material breach of this Agreement or any law, or is likely to result in an irreconcilable conflict.

(b) In the event this Agreement is terminated by the Investment Manager, the Investment Manager shall reasonably cooperate with any successor investment manager appointed by the Committee in transitioning its work-in-progress.

(c) Sections 8, 9, 10, 11, 12, 13 and 15 of this Agreement shall survive a termination by any Party hereto.

(d) the Investment Manager shall promptly notify the Company of the occurrence of any of the events described in Section 16(a)(ii).

17. CUSTODY OF ASSETS. Nothing contained herein shall be deemed to authorize the Investment Manager to take or receive physical possession of the Preferred Interests, any Shares received by the Trust in exchange therefor pursuant to the Contribution Agreement or any other assets of the Plans, it being intended that sole responsibility for the safekeeping thereof and the consummation of all transactions made pursuant to the Investment Manager's direction shall rest upon the Trustee. The Committee shall instruct the Trustee to furnish such information about the Trusts and the Plans and their assets as the Investment Manager may from time to time reasonably request in connection with the performance of its duties hereunder. The Investment Manager may reasonably rely without further inquiry upon such information furnished to it by the Trustee.

18. OTHER SERVICES. The Company and the Committee understand that, subject to the Investment Manager's compliance with applicable legal requirements, the Investment Manager reserves the right to render services similar to those provided under this Agreement to others, and, subject to Section 15 hereof, nothing contained herein shall prevent the Investment Manager from advising others about, or trading on their behalf in, publicly traded securities of AT&T, its subsidiaries or affiliates.

19. RELATIONSHIP BETWEEN THE PARTIES; INDEPENDENT CONTRACTORS. None of the provisions of this Agreement are intended to create, nor shall be deemed or construed to create, any relationship between the Company and the Investment Manager other than that of independent entities contracting with each other hereunder solely for the purpose of effecting the provisions of this Agreement. None of the Parties hereto, nor any of their respective directors, officers, employees or agents shall be construed to be the employee, agent or representative of the other. This Agreement shall not be deemed to be a joint venture relationship. As independent parties, the Company and the Investment Manager maintain separate and independent management. As between the Company and the Investment Manager,

each has full, complete, absolute and sole authority and responsibility regarding its own operations, and neither shall have any direction or control over the manner in which the other performs its obligations.

20. GENERAL FIDUCIARY STANDARDS. Subject to Section 8 hereof, the Investment Manager shall discharge its duties with respect to the Preferred Interests and any Shares received by the Trust in exchange therefor pursuant to the Contribution Agreement solely in the interest of participants and beneficiaries of the Plans and Trust and (a) for the exclusive purpose of providing benefits to participants and beneficiaries of the Plans and Trust and defraying reasonable expenses of administering the Trust; (b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and (c) in accordance with the documents and instruments governing the Plan and Trust, insofar as such documents and instruments are consistent with the provisions of Title I of ERISA.

21. ASSIGNMENT. The Investment Manager shall not make or purport to make any assignment (including, without limitation, any assignment as that term is defined by the Investment Advisers Act of 1940) or other transfer of this Agreement or of any of the rights granted to the Investment Manager hereunder without the Company's prior written consent, and no such assignment or transfer shall be effective without the prior written consent of the Company. Any such attempted assignment or transfer by the Investment Manager not assented to in the manner prescribed herein shall be void.

22. INVALID PROVISIONS. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable. This Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or severance from this Agreement. Furthermore, in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as part of this Agreement, a provision as similar in terms to such illegal, invalid, or unenforceable provision as is possible to be legal, valid, and enforceable.

23. NOTICE. Any and all written communications provided herein shall be deemed duly given if personally delivered or delivered by mail, postage prepaid, or by telecopier to the address below, unless notice of a change of address is furnished in the manner provided herein:

AT&T Services, Inc.
c/o William H. Hammond
Vice President, Investment Management
One AT&T Way
Room 3D101
Bedminster, New Jersey 07921-2693

AT&T Services, Inc., as named fiduciary
c/o William H. Hammond
Vice President, Investment Management
One AT&T Way
Room 3D101
Bedminster, New Jersey 07921-2693

With a copy to:

Thomas R. Giltner
General Attorney & Assistant General Counsel
AT&T Management Services, LP
208 South Akard Street
Suite 3015
Dallas, TX 75202

Brock Fiduciary Services LLC
622 Third Avenue
Floor 12
New York, NY 10017
Attn: Stephen Wilson, President

24. ENTIRE AGREEMENT/AMENDMENT. Except as may be provided in the Contribution Agreement, this Agreement embodies all understandings and agreements of the Parties hereto with respect to the subject matter hereof and the terms and conditions hereof may not be amended except in writing dated even date herewith or subsequent hereto signed by both of the Parties hereto. The Parties agree to negotiate in good faith such amendments as may be reasonably needed to comply with the final terms of the PTE.

25. GOVERNING LAW AND JURISDICTION. This Agreement shall be governed and construed according to the laws of the State of Texas without regard to its conflicts of laws provisions, except as superseded and preempted by ERISA or other laws of the United States. Any action seeking to enforce or interpret the provisions of this Agreement shall be venued in Bexar County, Texas.

26. SUCCESSOR LAWS. Any references in this Agreement to a section of ERISA, the Code or other applicable law, or to any regulations or administrative pronouncements thereunder, shall be deemed to include a reference to any modifications or amendments thereof, and any successor provision of ERISA, the Code or other applicable law, or any successor regulations or administrative pronouncements thereunder.

27. SUCCESSOR TRUSTEES. The Company may at any time, and from time to time, appoint additional, successor or substitute Trustees with respect to all or a portion of the Preferred Interests and shall promptly give notice thereof to the Investment Manager and the applicable Trustee.

28. EXECUTION. This Agreement may be executed in several counterparts, each of which shall be deemed an original hereof, but only one of which as executed by all Parties shall be required as evidence in any action maintained in connection with this Agreement.

29. GOVERNING LAW AND JURISDICTION. This Agreement shall be administered, governed by, construed and enforced in accordance with, the laws of the State of Texas (without regard to any conflict of law provisions) to the extent such laws have not been preempted by ERISA or other applicable law. Any action seeking to enforce or interpret the provisions of this Agreement shall be venued exclusively in Bexar County, Texas.

Remainder of Page Intentionally Left Blank

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement to be effective as of the ___th day of _____, 2012.

AT&T SERVICES INC., in its corporate capacity

By: _____
Name:
Title:

AT&T SERVICES INC., as named fiduciary of the Plan

By: _____
Name:
Title:

AT&T INC., solely for the purpose of providing the indemnity contained in Section 9 of this Agreement.

By: _____
Name:
Title:

BROCK FIDUCIARY SERVICES LLC

By: Brock Capital Group LLC
Its: Managing Member

By: _____
Its: Managing Member

**EXHIBIT D.4
TO
EXEMPTION APPLICATION
REGISTRATION RIGHTS AGREEMENT**

REGISTRATION RIGHTS AGREEMENT

by and between

AT&T INC.

and

**JP MORGAN CHASE BANK, N.A.,
as trustee of the
SBC Master Pension Trust**

DATED AS OF [•], 2012

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	1
Section 1.1 Definitions	1
Section 1.2 Other Definitional Provisions.....	5
ARTICLE II REPRESENTATIONS AND WARRANTIES.....	6
Section 2.1 Representations and Warranties of the Company.....	6
Section 2.2 Representations and Warranties of the Stockholder, the Trustee and the Independent Fiduciary.....	6
ARTICLE III TRANSFER RESTRICTIONS.....	7
Section 3.1 Transfer Restrictions.....	7
Section 3.2 Legends on Trust Shares; Securities Act Compliance.....	7
ARTICLE IV REGISTRATION RIGHTS.....	9
Section 4.1 Demand Request.....	9
Section 4.2 Piggy-Back Registration.....	11
Section 4.3 Termination of Registration Obligation	12
Section 4.4 Registration Procedures	12
Section 4.5 Registration Expenses.....	18
Section 4.6 Indemnification; Contribution	18
Section 4.7 Indemnification Procedures	19
ARTICLE V MISCELLANEOUS	21
Section 5.1 Termination	21
Section 5.2 Injunctive Relief	21
Section 5.3 Assignments.....	21
Section 5.4 Amendments; Waiver	22
Section 5.5 Notices	22
Section 5.6 GOVERNING LAW; FORUM SELECTION	23
Section 5.7 WAIVER OF JURY TRIAL	23
Section 5.8 Interpretation	23
Section 5.9 Entire Agreement; No Other Representations	23
Section 5.10 No Third Party Beneficiaries	24
Section 5.11 Severability	24
Section 5.12 Counterparts.....	24
Section 5.13 Effectiveness.....	24

REGISTRATION RIGHTS AGREEMENT, dated as of [●], 2012 (this “Agreement”), by and between AT&T Inc., a Delaware corporation (the “Company”), JP Morgan Chase Bank, N.A., as trustee (the “Trustee”) of the SBC Master Pension Trust (the “Stockholder”), and, solely with respect to Section 2.2(d), Brock Fiduciary Services LLC (the “Independent Fiduciary”).

WITNESSETH:

WHEREAS, the Company is entering into the Contribution Agreement (the “Contribution Agreement”), dated as of [●], 2012, by and among the Independent Fiduciary, the Trustee, the Company and AT&T Mobility II LLC, an indirect wholly owned subsidiary of the Company (“AT&T Mobility”), providing for an in-kind contribution by the Company to the Stockholder of 320 million cumulative perpetual preferred membership interests (each a “Preferred Interest” and, collectively, the “Preferred Interests”) of AT&T Mobility;

WHEREAS, the Preferred Interests were issued to the Company pursuant and subject to the terms and conditions of that certain Second Amended and Restated Limited Liability Company Agreement of AT&T Mobility II LLC (the “LLC Agreement”);

WHEREAS, pursuant to the Contribution Agreement, the Company has the right to purchase all or any portion of the Preferred Interests from the Stockholder in one or more transactions as provided in Section 6 thereof (such right, as so provided in the Contribution Agreement, the “Call Option”), and the Stockholder has the right to require the Company to purchase all or a portion of the Preferred Interests, from time to time, from the Stockholder as provided in Section 7 thereof (such right, as so provided in the Contribution Agreement, the “Put Option”);

WHEREAS, pursuant to the Contribution Agreement, the Company has the right, in its sole discretion, to pay the purchase price for any Preferred Interests purchased pursuant to the Put Option or the Call Option, in whole or in part, by delivering shares of Common Stock to the Stockholder as provided therein;

WHEREAS, in connection with the foregoing, the parties hereto wish to enter into this Agreement to govern the rights and obligations of the parties with respect to registration rights, transfers and other matters relating to shares of Common Stock (if any) that may be delivered to the Stockholder pursuant to the Call Option or the Put Option.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the meanings indicated below:

“Affiliate” shall mean, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by or is under Common Control with that Person.

“Agreement” shall have the meaning set forth in the Preamble.

“AT&T Mobility” shall have the meaning set forth in the Recitals.

“Beneficially Own” shall mean, with respect to any securities, having “beneficial ownership” of such securities within the meaning of paragraph (a) of Rule 13d-3 under the Exchange Act (as such rule is in effect on the date of this Agreement).

“Blackout Period” shall have the meaning set forth in Section 4.1(e).

“Board” shall mean, as of any date, the Board of Directors of the Company in office on that date.

“Business Day” shall mean any day other than a Saturday, Sunday, federal holiday or a day on which banks in the City of New York are authorized or obligated by law to close.

“Call Option” has the meaning set forth in the Recitals, as the same may be amended from time to time.

“Claim Notice” shall have the meaning set forth in Section 4.7(a).

“Claims” shall have the meaning set forth in Section 4.6(a).

“Common Stock” shall mean the common stock, \$1.00 par value per share, of the Company and any successor equity securities issued in lieu thereof by any successor of the Company.

“Company” shall have the meaning set forth in the Preamble.

“Confidential Information” shall have the meaning set forth in Section 4.4(f).

“Contribution Agreement” shall have the meaning set forth in the Recitals, as the same may be amended from time to time.

“Control” (including, with correlative meanings, “Controlled by” and “under Common Control with”) shall mean the possession, direct or indirect, of the power to direct or cause the direction of management or policies of a Person, whether through ownership of securities, by contract or otherwise.

“Delivery Date” means any date on which shares of Common Stock are issued and first registered in the name of the Stockholder (or its nominee) on the books and records of the Company or its transfer agent, in each case pursuant to the Call Option or the Put Option.

4.1(b). “Demand Registration Statement” shall have the meaning set forth in Section

“Demand Request” shall have the meaning set forth in Section 4.1(b).

“Director” shall mean any member of the Board.

“Effective Period” shall have the meaning set forth in Section 4.4(a)(iii).

“Encumbrance” shall mean any lien, pledge, charge, claim, encumbrance, security interest, option, mortgage, easement or other restriction or third-party right of any kind, including any right of first refusal or restriction on voting.

“Exchange Act” shall mean the United States Securities Exchange Act of 1934, as amended from time to time, and the relevant rules and regulations promulgated by the SEC from time to time thereunder.

“Extension Period” shall have the meaning set forth in Section 4.1(a).

“First Put Date” means the first Delivery Date for Common Stock issued pursuant to the Put Option (if any).

“Indemnifying Party” shall have the meaning set forth in Section 4.7(a).

“Last Call Date” means the Delivery Date for Common Stock issued pursuant to the Call Option (if any) after which the Call Option is no longer exercisable pursuant to its terms (e.g., because all Preferred Interests have been repurchased under the Contribution Agreement).

“LLC Agreement” shall have the meaning set forth in the Recitals, as the same may be amended from time to time.

“Market Value” shall mean, as of any date, the average of the daily closing prices per share of Common Stock during the regular trading sessions on the NYSE (or on the principal securities exchange or interdealer quotation system on which Common Stock is then listed or quoted) for each of the 30 full trading days immediately preceding (but not including) such date.

“Maximum Number” shall have the meaning set forth in Section 4.2(b).

“Organizational Documents” shall mean, with respect to any Person, such Person’s articles or certificate of association, incorporation, formation or organization, by-laws, limited liability company agreement, partnership agreement or other constituent document or documents, or with respect to any trust, such trust’s indenture, each in its currently effective form as amended from time to time.

“Other Holder” shall have the meaning set forth in Section 4.2(b).

“Person” shall mean any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity or other entity of any kind or nature.

“Piggy-Back Registration” shall have the meaning set forth in Section 4.2(a).

“Piggy-Back Request” shall have the meaning set forth in Section 4.2(a).

“Piggy-Back Shares” shall have the meaning set forth in Section 4.2(a).

“Preferred Interests” shall have the meaning set forth in the Recitals.

“Put Option” has the meaning set forth in the Recitals, as the same may be amended from time to time.

“Registrable Shares” shall mean, at any time, the Trust Shares that are then registered in the name of the Stockholder (or its nominee) and Beneficially Owned by the Stockholder. For the avoidance of doubt, the Registrable Shares shall not include any Preferred Interests or any rights of the Stockholder under the Contribution Agreement, including any right to receive Common Stock thereunder.

“Registration Period” means the period from the first Delivery Date (if any) to but excluding the Termination Date.

“S-3 Eligible” shall have the meaning set forth in Section 4.1(b).

“SEC” shall mean the United States Securities and Exchange Commission or any relevant successor agency.

“Securities Act” shall mean the United States Securities Act of 1933, as it may be amended from time to time, and the relevant rules and regulations promulgated by the SEC from time to time thereunder.

“Stockholder” shall have the meaning set forth in the Preamble.

“Subsidiary” shall mean, with respect to any Person, any other entity (i) whose securities or other ownership interests, having by their terms the power to elect a majority of the board of directors or other Persons performing similar functions, are owned or controlled, directly or indirectly, by such Person, (ii) whose business and policies such Person has the power, directly or indirectly, to direct, or (iii) of which 50% or more of the securities, partnership or other ownership interests are owned, directly or indirectly, by such Person.

“Termination Date” shall have the meaning set forth in Section 4.3.

“Transfer” shall mean any direct or indirect sale, transfer, assignment, pledge, hypothecation, mortgage, license, gift, creation of a security interest in or lien on, placement in trust (voting or otherwise), encumbrance or other disposition to any Person, including those by

way of spin-off, hedging or derivative transactions (including by way of any short sale by another person in connection therewith) or otherwise.

“Trust Shares” shall mean the shares of Common Stock issued and registered in the name of the Stockholder (or its nominee) on any Delivery Date pursuant to the Call Option or the Put Option and any shares of Common Stock or other securities issued in respect of or into which such shares of Common Stock shall be converted in connection with any stock splits, reverse stock splits, stock dividends or distributions, combinations or any similar recapitalizations on or after such Delivery Date.

“Trustee” shall have the meaning set forth in the Preamble and shall include any successor trustee for the Stockholder.

Section 1.2 Other Definitional Provisions. Unless the express context otherwise requires:

(a) the words “hereof”, “herein”, and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

(b) the terms defined in the singular have a comparable meaning when used in the plural, and vice versa;

(c) any reference herein to “Dollars” and “\$” are to United States Dollars;

(d) any references herein to a specific Section, Schedule, Annex or Exhibit shall refer, respectively, to Sections, Schedules, Annexes or Exhibits of this Agreement;

(e) wherever the word “include”, “includes” or “including” is used in this Agreement, it shall be deemed to be followed by the words “without limitation”;

(f) references herein to any gender includes the other gender;

(g) unless otherwise specified, any law, rule or statute defined or referred to herein means such law, rule or statute (including any successor thereto) as it may be amended from time to time; and

(h) unless the context otherwise indicates, all rights of the Stockholder under this Agreement may be exercised, and all actions to be taken by it hereunder may be taken, on its behalf by the Trustee. The obligations of the Stockholder hereunder shall be binding upon the Trustee in its capacity as trustee of the Stockholder. All notices to the Stockholder shall be deemed delivered if so delivered to the Trustee, and the Company may rely on any and all actions taken by the Trustee as if taken by the Stockholder.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the Company. The Company represents and warrants to the Stockholder as of the date hereof that:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The Company has all requisite power and authority and has taken all action necessary in order to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery by the Company of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary action of the Company. This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery of this Agreement by the Trustee, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally or, as to enforceability, by general equitable principles.

(c) The execution and delivery of this Agreement by the Company and the performance of its obligations hereunder will not constitute or result in (i) a breach or violation of, or a default under, the Organizational Documents of the Company, (ii) a breach or violation of, a termination (or right of termination) or default under, the creation or acceleration of any obligations under, or the creation of an Encumbrance on any of the assets of the Company (with or without notice, lapse of time or both) pursuant to, any agreement, lease, license, contract, note, mortgage, indenture, arrangement or other obligation binding upon the Company, or (iii) conflict with, breach or violate any law applicable to the Company or by which its properties are bound or affected, except, in the case of clause (ii) or (iii) above, for any breach, violation, termination, default, creation or acceleration that would not, individually or in the aggregate, reasonably be likely to impair the ability of the Company to perform its obligations under this Agreement.

Section 2.2 Representations and Warranties of the Stockholder, the Trustee and the Independent Fiduciary. The Trustee represents and warrants to the Company as of the date hereof that:

(a) The Stockholder is a trust [organized under the laws of [●]], and the Trustee is the trustee of the Stockholder.

(b) The Trustee has all requisite power and authority to execute and deliver this Agreement as trustee of the Stockholder, and to perform its obligations hereunder. The execution and delivery by the Trustee of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary action of the Trustee. This Agreement has been duly executed and delivered by the Trustee and, assuming the due authorization, execution and delivery of this Agreement by the Company, constitutes the legal, valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms, except as

limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally or, as to enforceability, by general equitable principles.

(c) The execution and delivery of this Agreement by the Trustee and the performance of its obligations hereunder will not constitute or result in (i) a breach or violation of, or a default under, the Organizational Documents of the Stockholder or the Trustee, (ii) a breach or violation of, a termination (or right of termination) or default under, the creation or acceleration of any obligations under, or the creation of an Encumbrance on any of the assets of the Stockholder or the Trustee (with or without notice, lapse of time or both) pursuant to, any agreement, lease, license, contract, note, mortgage, indenture, arrangement or other obligation binding upon the Stockholder or the Trustee, or (iii) conflict with, breach or violate any law applicable to the Stockholder or the Trustee or by which either such Person's properties are bound or affected, except, in the case of clause (ii) or (iii) above, for any breach, violation, termination, default, creation or acceleration that would not, individually or in the aggregate, reasonably be likely to impair the ability of the Stockholder or the Trustee to perform its obligations under this Agreement.

(d) Brock Funding Services LLC, in its capacity as the independent fiduciary for the Stockholder, has directed the Trustee to execute and deliver this Agreement in its capacity as trustee for, and on behalf of, the Trust and has acknowledged and confirmed such direction by executing the signature page of this Agreement.

ARTICLE III

TRANSFER RESTRICTIONS

Section 3.1 Transfer Restrictions.

(a) The Stockholder shall not make any Transfer of any Trust Shares other than in accordance with this Agreement. No Transfer of Trust Shares in violation of this Agreement, including Article III hereof, or in violation of any restrictive legends (or comparable notations or other arrangements contemplated hereby), shall be made or recorded on the books and records of the Company or its transfer agent and any such Transfer shall be void and of no effect. Upon completion of any Transfer of any Trust Shares, the Stockholder shall notify the Company and its transfer agent in writing of the number of Trust Shares so Transferred.

(b) No Trust Shares shall be Transferred except pursuant to an effective registration statement under the Securities Act as provided in this Agreement or in compliance with an available exemption from the registration requirements of such Act, and in each case in compliance with the registration requirements of any applicable state or other securities laws. In addition, except for any Transfer in a firm-commitment, underwritten public offering pursuant to such a registration statement as so provided, no Transfer shall be part of a transaction that, in the reasonable judgment of the Company, would be a "distribution" within the meaning of Regulation M under the Exchange Act without the Company's prior written consent.

Section 3.2 Legends on Trust Shares; Securities Act Compliance.

(a) Each share certificate representing Trust Shares shall bear the following or substantially similar legends (and comparable notations or other arrangements will be reflected in the books and records of the Company or its transfer agent with respect to any uncertificated Trust Shares):

“THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS AND MAY NOT BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR DISPOSED OF EXCEPT (A) PURSUANT TO A REGISTRATION STATEMENT EFFECTIVE UNDER SUCH ACT AND LAWS OR (B) PURSUANT TO AN EXEMPTION FROM REGISTRATION THEREUNDER (AND ONLY AFTER THE ISSUER HAS RECEIVED AN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO IT STATING THAT SUCH TRANSFER OR DISPOSITION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND LAWS.”

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE PROVISIONS OF A REGISTRATION RIGHTS AGREEMENT DATED AS OF _____, 2012, A COPY OF WHICH MAY BE INSPECTED AT OR OBTAINED FROM THE PRINCIPAL OFFICE OF ISSUER WITHOUT CHARGE.

(b) The Stockholder agrees that it will, if requested by the Company, deliver at its expense to the Company such certificates and other documents (which may include an opinion of reputable U.S. counsel selected by the Stockholder and reasonably acceptable to the Company), in form and substance reasonably satisfactory to the Company, confirming that any Transfer made other than pursuant to an effective registration statement as provided herein does not require registration under the Securities Act.

(c) In connection with any Transfer of Trust Shares pursuant to an effective registration statement as provided herein, the Company shall remove the legend (or comparable notations or other arrangements) referenced in Section 3.2(a) with regard to such Trust Shares as appropriate under the circumstances. In connection with any proposed Transfer of Trust Shares pursuant to Rule 144 under the Securities Act, the Company shall remove the legend (or comparable notations or other arrangements) referenced in Section 3.2(a) with regard to such Trust Shares but solely with regard to such proposed Transfer and only when the Stockholder has delivered at its expense to the Company such certificates and other documents (which may include an opinion of reputable U.S. counsel selected by the Stockholder and reasonably acceptable to the Company), in form and substance reasonably satisfactory to the Company, confirming that such proposed Transfer will comply with Rule 144 (including all of the applicable requirements thereof).

(d) At all times during the Registration Period, the Company will use its commercially reasonable efforts to comply with the requirements of Rule 144(c)(1) with respect to public information about the Company.

ARTICLE IV

REGISTRATION RIGHTS

Section 4.1 Demand Request.

(a) (i) Following the written request of the Stockholder for registration under the Securities Act of all or part of the Registrable Shares (a “Demand Request”), the Company shall file a registration statement with the SEC (a “Demand Registration Statement”) with respect to resales of the Registrable Shares pursuant to the Stockholder’s intended method of distribution thereof and shall, subject to the terms of this Article IV, use its reasonable best efforts to cause such Demand Registration Statement to become effective under the Securities Act; provided that such Demand Registration Statement shall be filed on (i) Form S-3, if the Company is then eligible to file a registration statement on Form S-3 (pursuant to the General Instructions to Form S-3) (“S-3 Eligible”), or (ii) any other appropriate form under the Securities Act for the type of offering contemplated by the Stockholder, if the Company is not then S-3 Eligible; provided, further, that in no event shall the Company be required to file any Demand Registration Statement providing for the offering of the Registrable Shares on a delayed or continuous basis pursuant to Rule 415 promulgated under the Securities Act, but it may elect to do so in its sole discretion. Each Demand Request shall specify the aggregate amount of Registrable Shares to be registered and the intended method or methods of distribution thereof.

(ii) For the purposes of this Section 4.1(a), the Company shall have fulfilled its obligation to file a registration statement and use its reasonable best efforts to cause the same to become effective following a Demand Request if the registration statement is filed and becomes effective within 180 days after the Company receives such Demand Request (or within any subsequent Extension Period). If the registration statement has not been filed and become effective on or before such 180th day, the Company shall pay to the Stockholder a registration fee in an amount per annum equal to (x) 0.25% of the Market Value of the Registrable Securities (calculated as of the first Business Day after such 180th day) multiplied by (y) a fraction, the numerator of which shall equal the number of days during the period beginning on the day after such 180th day and ending on the first day on which the registration statement has been filed and become effective (an “Extension Period”) and the denominator of which shall be 365. Such registration fee shall be due and payable in installments on the Business Day after every 30th day of the Extension Period and after the last day of such period, in each case in respect of the portion of the fee that has accrued and not been paid through and including such 30th day or final day, as applicable. Provided that the Company pays the registration fee as and when due in respect of any Extension Period, it shall not be in default or breach of its obligation under this Section 4.1(a).

(b) Notwithstanding anything to the contrary set forth in Section 4.1(a), the Company shall not be obligated to prepare, file or cause a Demand Registration Statement to become effective:

(i) unless the Demand request is received by the Company during the Registration Period;

(ii) more than two times in any 12-month period; provided that, at any time when more than 50% of the Registrable Shares are eligible for resale by the Stockholder pursuant to Rule 144 under the Securities Act, such limit shall be not more than one time in any 12-month period (it being understood that, for the purpose of this *proviso*, Registrable Shares shall be considered “eligible for resale by the Stockholder pursuant to Rule 144” even if such resale is subject to the limitations imposed by Rule 144 on sales of restricted securities or sales by affiliates of the issuer);

(iii) unless the Registrable Shares to be included in such Demand Registration Statement (A) have an aggregate Market Value on the date such request for registration is received by the Company of at least \$500 million based on the closing price of the Common Stock on the trading day immediately preceding the day on which the Demand Request is delivered and (B) represent at least 10% of the total Registrable Shares on such day of delivery; and

(iv) within 90 days after the effective date of a registration statement filed pursuant to Section 4.1(a) or a registration statement to which the Stockholder was given piggy-back rights pursuant to Section 4.2 (provided that the number of Registrable Shares included in such Piggy-Back Registration was not less than 50% of the number of Registrable Shares requested to be registered by the Stockholder pursuant to the Piggy-Back Request related to such Piggy-Back Registration).

(c) Any Demand Request may be revoked by notice from the Stockholder to the Company prior to the effective date of the corresponding Demand Registration Statement; provided that such revoked Demand Request shall count as one Demand Request for the purpose of the limitation in Section 4.1(b)(ii) unless the Company waives such request and as promptly as reasonably practicable is reimbursed for all out-of-pocket expenses (including fees of outside counsel and accountants and other expenses incurred in connection with such Demand Request) incurred by the Company relating to the registration requested pursuant to such revoked Demand Request. A Demand Request may not be made for a minimum of 60 calendar days after the revocation of an earlier Demand Request.

(d) Notwithstanding anything in this Agreement to the contrary, the Company shall be entitled to postpone and delay, for reasonable periods of time not in excess of 60 days, but in no event more than twice in any 12-month period (a “Blackout Period”), the filing or effectiveness of any registration statement or the offer or sale of any Registrable Shares thereunder if one or more executive officers of the Company shall determine in good faith that any such filing or the offering or sale of any Registrable Shares thereunder would (i) impede, delay or otherwise interfere with any pending or contemplated material acquisition, disposition, corporate reorganization or other similar material transaction involving the Company, (ii) based upon advice from the Company’s investment banker or financial advisor, adversely affect in more than an immaterial respect any pending or contemplated financing, offering or sale of any class of securities by the Company, (iii) require disclosure of material non-public information (other than information relating to an event described in clause (i) or (ii) above) which, if

disclosed at such time, would not be in the best interests of the Company and its stockholders, or (iv) have a material adverse effect on the Company; provided, however, that the Company shall give written notice to the Stockholder of its determination to postpone or delay the filing of such Demand Registration Statement or other imposition of a Blackout Period, in which case the Stockholder shall be entitled to cancel its Demand Request relating to such Demand Registration without such Demand Request counting as one of the Demand Requests referred to in Section 4.1(a); provided, further, that in the event that the Company proposes to register Common Stock, whether or not for sale for its own account, during a Blackout Period, the Stockholder shall have the right to exercise its rights under Section 4.2 with respect to such registration, subject to the limitations contained in this Agreement on the exercise of such rights. Upon notice by the Company to the Stockholder of any such determination, the Stockholder shall, except as required by applicable law, keep the fact of any such notice strictly confidential, and during any Blackout Period, promptly halt any offer, sale, trading or transfer by it of any Common Stock for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and promptly halt any use, publication, dissemination or distribution of any prospectus or prospectus supplement covering such Registrable Shares for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and, if so directed by the Company, shall deliver to the Company any copies then in its possession of any such prospectus or prospectus supplement.

(e) In connection with any offering pursuant to a Demand Registration Statement filed pursuant to Section 4.1(a), the managing underwriter for such offering shall be selected by the Stockholder and reasonably acceptable to the Company; provided that such managing underwriter shall be a nationally recognized investment banking firm.

(f) Nothing in this Article IV shall affect, supersede or otherwise modify any of the restrictions on Transfer set forth in Article III or any other provision of this Agreement.

Section 4.2 Piggy-Back Registration. (a) If, at any time during the Registration Period, the Company proposes or is required to register any Common Stock under the Securities Act on its behalf or on behalf of any of its stockholders, on a form and in a manner that would permit registration of the Registrable Shares (other than as set forth below in this Section 4.2(a)), the Company shall give the Stockholder prompt written notice of its intent to do so not less than 15 Business Days prior to the contemplated filing date for such registration statement. Upon the written request of the Stockholder (a "Piggy-Back Request"), given within five Business Days following the time that the Stockholder was given any such written notice (which request shall specify the number of Registrable Shares requested to be registered on behalf of the Stockholder) (the "Piggy-Back Shares"), the Company shall include in such registration statement (a "Piggy-Back Registration"), subject to the provisions of this Section 4.2 and, in the case of a registration on behalf of any of the Company's stockholders, subject to the rights of such stockholders, the number of Registrable Shares set forth in such Piggy-Back Request. Notwithstanding the foregoing, the Company shall not be required to register Registrable Shares on behalf of the Stockholder on any registration statement that (i) is filed in connection with a dividend reinvestment plan or rights offering; (ii) is filed on Form S-4 or S-8 or any similar successor form; (iii) provides for the offering of securities on a delayed or continuous basis pursuant to Rule 415 under the Securities Act; or (iv) registers any security

other than Common Stock (including any that registers both Common Stock and any other security).

(b) In the event that the Company proposes or is required to register Common Stock in connection with an underwritten offering and a nationally recognized investment banking firm, selected by the Company to act as managing underwriter thereof, reasonably and in good faith shall have advised the Company, the Stockholder or any other holder of Common Stock intending to offer Common Stock in the offering (each, an “Other Holder”) in writing that, in its opinion and acting in good faith, the inclusion in the registration statement of some or all of the Registrable Shares sought to be registered by the Stockholder would adversely affect the price or success of the offering, the Company shall include in such registration statement such number of shares of Common Stock as the Company is advised by such firm can be sold in such offering without such an effect (the “Maximum Number”) as follows and in the following order of priority: (i) first, such number of shares of Common Stock as the Company intended to be registered and sold by the Company or, if such registration is on behalf of any Other Holders exercising a contractual right to demand registration pursuant to which such registration statement was filed, such number of shares of Common Stock as such Other Holders intended to be registered and sold, and (ii) second, if and to the extent that the number of shares of Common Stock to be registered under clause (i) is less than the Maximum Number, such number of shares of Common Stock as the Stockholder and any Other Holders or additional Other Holders (if such registration was not initiated by such Other Holders) shall have intended to register which, when added to the number of shares of Common Stock to be registered under clause (i), is less than or equal to the Maximum Number, on a *pro rata* basis according to the total number of shares of Common Stock Beneficially Owned by each such Person.

Section 4.3 Termination of Registration Obligation. The obligation of the Company to register Registrable Shares and maintain the effectiveness of any registration statement (including any Demand Registration Statement) pursuant to this Article IV shall terminate on the earlier of:

- (a) the second anniversary of the Last Call Date; or
- (b) the second anniversary of the First Put Date;

provided that in no event shall the Termination Date be later than _____, 2022. Such date on which such obligation terminates pursuant to the prior sentence is herein referred to as the “Termination Date”.

Section 4.4 Registration Procedures. (a) In connection with each registration statement prepared pursuant to this Article IV pursuant to which Registrable Shares will be offered and sold, and in accordance with the intended method or methods of distribution of the Registrable Shares as described in such registration statement, but in each case subject to the limitations and other provisions of this Agreement (including the provisions of Section 4.1(a)(ii) regarding a registration relating to a Demand Request), the Company shall:

- (i) use its reasonable best efforts to prepare and file with the SEC a registration statement on an appropriate registration form of the SEC and cause such

registration statement to become effective under the Securities Act promptly after the filing thereof, which registration statement shall comply as to form in all materials respects with the requirements of the applicable form and include all financial statements required by such form to be filed therewith; provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company shall furnish to one counsel selected by the Stockholder draft copies of all such documents proposed to be filed at least two Business Days prior to such filing, which documents will be subject to the reasonable review and comment of the Stockholder and its agents and Representatives and the underwriters, if any, and the Company shall not file any amendment or supplement to a Demand Registration Statement filed pursuant to Section 4.1(a) to which the Stockholder or the underwriters, if any, shall reasonably object;

(ii) use its reasonable best efforts to furnish without charge to the Stockholder, and the underwriters, if any, at least one conformed copy of the registration statement and each post-effective amendment or supplement thereto (including all schedules and exhibits but excluding all documents incorporated or deemed incorporated therein by reference, unless requested in writing by the Stockholder or an underwriter, except to the extent such exhibits and schedules are currently available via the SEC's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR")) and such number of copies of the registration statement and each amendment or supplement thereto (excluding exhibits and schedules) and the summary, preliminary, final, amended or supplemented prospectuses included in such registration statement as the Stockholder or such underwriter may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares being sold by the Stockholder (the Company hereby consents to the use in accordance with the U.S. securities laws of such registration statement (or post-effective amendment thereto) and each such prospectus (or preliminary prospectus or supplement thereto) by the Stockholder and the underwriters, if any, in connection with the offering and sale of the Registrable Shares covered by such registration statement or prospectus);

(iii) use its reasonable best efforts to keep such registration statement effective until the date that is 45 days after the date such registration statement is initially declared effective (or such shorter period as shall terminate when all of the securities covered by the registration statement have been disposed or withdrawn, or, provided that such registration statement relates to a firm-commitment underwritten offering, such longer period as, in the opinion of counsel for the underwriters for such offering, a prospectus is required under the Securities Act to be delivered in connection with sales of Registrable Shares by an underwriter or dealer, but not in excess of 90 days) (the "Effective Period"), prepare and file with the SEC such amendments, post-effective amendments and supplements to the registration statement and the prospectus as may be necessary to maintain the effectiveness of the registration for the Effective Period) and cause the prospectus (and any amendments or supplements thereto) to be filed with the SEC;

(iv) use its reasonable best efforts to register or qualify the Registrable Shares covered by such registration statement under such other securities or "blue sky" laws of such jurisdictions in the United States as are reasonably necessary, keep such registrations or qualifications in effect for so long as the registration statement remains in

effect, and do any and all other acts and things which may be reasonably necessary to enable the Stockholder or any underwriter to consummate the disposition of the Registrable Shares in such jurisdictions; provided, however, that in no event shall the Company be required to (A) qualify to do business as a foreign corporation in any jurisdiction where it would not, but for the requirements of this subparagraph (iv), be required to be so qualified, (B) execute or file any general consent to service of process under the laws of any jurisdiction, (C) take any action that would subject it to service of process in suits other than those arising out of the offer and sale of the securities covered by the registration statement, or (D) subject itself to taxation in any jurisdiction where it would not otherwise be obligated to do so, but for this paragraph (iv);

(v) use its reasonable best efforts to cause all Registrable Shares covered by such registration statement to be listed (after notice of issuance) on the NYSE or on the principal securities exchange or interdealer quotation system on which the Common Stock is then listed or quoted;

(vi) use its reasonable best efforts to promptly notify the Stockholder and the managing underwriter or underwriters, if any, after becoming aware thereof, (A) when the registration statement or any related prospectus or any amendment or supplement thereto has been filed, and, with respect to the registration statement or any post-effective amendment, when the same has become effective, (B) of any request by the SEC or any U.S. state securities authority for amendments or supplements to the registration statement or the related prospectus or for additional information, (C) of the issuance by the SEC of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose, (D) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Shares for sale in any jurisdiction or the initiation of any proceeding for such purpose, or (E) within the Effective Period of the happening of any event or the existence of any fact which makes any statement in the registration statement or any post-effective amendment thereto, prospectus or any amendment or supplement thereto, or any document incorporated therein by reference untrue in any material respect or which requires the making of any changes in the registration statement or post-effective amendment thereto or any prospectus or amendment or supplement thereto so that they will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(vii) during the Effective Period, use its reasonable best efforts to obtain the withdrawal of any order enjoining or suspending the use or effectiveness of the registration statement or any post-effective amendment thereto or the lifting of any suspension of the qualification of any of the Registrable Shares for sale in any jurisdiction at the earliest date reasonably practicable;

(viii) use its reasonable best efforts to deliver promptly to the Stockholder and the managing underwriters, if any, copies of all correspondence between the SEC and the Company, its counsel or auditors and all memoranda relating to discussions with the SEC or its staff with respect to the registration statement (except to the extent such

correspondence is currently available via EDGAR) and permit the Stockholder to do such investigation with respect to information contained in or omitted from the registration statement as it deems reasonably necessary for the purpose of conducting customary due diligence with respect to the Company; provided that the Stockholder may employ one legal counsel (at its own expense and which counsel shall be reasonably acceptable to the Company) to assist it in such investigation and any other matters relating to the registration, and provided further that any such investigation shall not interfere unreasonably with the Company's business;

(ix) use its reasonable best efforts to provide and cause to be maintained a transfer agent and registrar for all Registrable Shares covered by such registration statement not later than the effective date of such registration statement;

(x) use its reasonable best efforts to cooperate with the Stockholder and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing the Registrable Shares to be sold under the registration statement in a form eligible for deposit with the Depository Trust Corporation not bearing any restrictive legends (other than as required by the Depository Trust Corporation) and not subject to any stop transfer order with any transfer agent, and cause such Registrable Shares to be issued in such denominations and registered in such names as the managing underwriters, if any, may request in writing or, if not an underwritten offering, in accordance with the instructions of the Stockholder, in each case at least two Business Days prior to any sale of Registrable Shares;

(xi) in the case of a firm commitment underwritten offering use its reasonable best efforts to enter into an underwriting agreement customary in form and substance (taking into account the Company's prior underwriting agreements) for firm commitment underwritten secondary offerings of the nature contemplated by the applicable registration statement;

(xii) use its reasonable best efforts to obtain an opinion from the Company's counsel and a "cold comfort" letter from the Company's independent public accountants (and, if necessary, any other independent certified public accountants of any Subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data is, or is required to be, included in the registration statement) in customary form and covering such matters as are customarily covered by such opinions and "cold comfort" letters in connection with an offering of the nature contemplated by the applicable registration statement;

(xiii) use its reasonable best efforts to provide to counsel to the Stockholder and to the managing underwriters, if any, and no later than the time of filing of any document which is to be incorporated by reference into the registration statement or prospectus (after the initial filing of such registration statement), copies of any such document; and

(xiv) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the SEC and any applicable national securities exchange.

(b) In the event that the Company would be required, pursuant to Section 4.4(a)(vi)(E), to notify the Stockholder or the managing underwriter or underwriters, if any, of the happening of any event specified therein, the Company shall, subject to Section 4.1(d), as promptly as practicable, prepare and furnish to the Stockholder and to each such underwriter a reasonable number of copies of a prospectus supplemented or amended so that, as thereafter delivered to purchasers of Registrable Shares that have been registered pursuant to this Agreement, such prospectus shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Stockholder agrees that, upon receipt of any notice from the Company pursuant to Section 4.4(a)(vi) (E), it shall, and shall use its reasonable best efforts to cause any sales or placement agent or agents for the Registrable Shares and the underwriters, if any, to forthwith discontinue disposition of the Registrable Shares until such Person shall have received copies of such amended or supplemented prospectus and, if so directed by the Company, to destroy all copies, other than permanent file copies, then in its possession of the prospectus (prior to such amendment or supplement) covering such Registrable Shares as soon as practicable after the Stockholder's receipt of such notice.

(c) The Stockholder shall furnish to the Company in writing such information regarding the Stockholder and its intended method of distribution of the Registrable Shares as the Company may from time to time reasonably request in writing in order for the Company to comply with its obligations under all applicable securities and other laws and to ensure that the prospectus relating to such Registrable Shares conforms to the applicable requirements of the Securities Act and the rules and regulations thereunder. If the Stockholder fails to provide the requested information within 15 Business Days of the receipt by the Stockholder of such request, the Company shall be entitled to refuse to register the Registrable Shares in the applicable registration statement. The Stockholder shall notify the Company as promptly as practicable of any inaccuracy or change in information previously furnished by the Stockholder to the Company or of the occurrence of any event, in either case as a result of which any prospectus relating to the Registrable Shares contains or would contain an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and promptly furnish to the Company any additional information required to correct and update any previously furnished information or required so that such prospectus shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) (i) If requested by the managing underwriter for an underwritten offering (primary or secondary) of any equity securities of the Company, the Stockholder agrees not to effect any Transfer of any Registrable Shares, including any sale pursuant to Rule 144 under the Securities Act, and not to effect any Transfer of any other equity security of the Company (in each case, other than as part of such underwritten public offering) during the ten days prior to, and during the 90-day period (or such longer period as the Stockholder agrees with the underwriter of such offering) beginning on, the consummation of any underwritten public offering covered by a registration statement referred to in Section 4.2 if the Stockholder is permitted to include Registrable Shares thereunder.

(ii) The Company hereby agrees that if it shall previously have received a Demand Request pursuant to Section 4.1 for registration of Registrable Shares in a firm-commitment underwritten offering, and if such previous registration shall not have been withdrawn or abandoned, the Company, if requested by the managing underwriter for such underwritten offering, shall not issue, offer or sell any Common Stock, any other equity security of the Company or any security convertible into or exchangeable for any equity security of the Company until the earlier of (A) 90 days after the effective date of such registration statement and (B) such time as all of the Registrable Shares covered by such registration statement have been distributed; provided, however, that notwithstanding the foregoing, the Company may issue, offer or sell Common Stock or such other securities (1) as part of such underwritten offering, (2) pursuant to a registration statement on Form S-8 or Form S-4 under the Securities Act or any successor or similar form, (3) pursuant to or in connection with any employee benefit or similar plan, (4) to its subsidiaries or affiliates, (5) as part of a transaction under Rule 145 of the Securities Act, (6) in one or more private transactions that would not interfere with the method of distribution contemplated by such registration statement or (7) if such transfer was publicly announced or agreed to in writing by the Company prior to the date of the receipt of such request pursuant to Section 4.1.

(e) In the case of any underwritten offering of shares of Common Stock registered under a Demand Registration Statement filed pursuant to Section 4.1(a), or in the case of a registration under Section 4.2 if the Company has entered into an underwriting agreement in connection therewith, all shares of Common Stock to be included in such offering or registration, as the case may be, shall be subject to the applicable underwriting agreement and no Person may participate in such offering or registration unless such Person agrees to sell such Person's securities on the basis provided therein and completes and executes all questionnaires, indemnities, underwriting agreements and other documents (other than powers of attorney) which must be executed in connection therewith, and provides such other information to the Company or the underwriter as may be reasonably requested to offer or register such Person's Common Stock.

(f) The Stockholder agrees that in connection with the foregoing registration procedures, it will receive confidential information from the Company or its representatives, including draft documentation. The Stockholder agrees to keep confidential and to use only for the purpose of exercising its rights under this Agreement, and not in a manner that would be detrimental to the Company, all Confidential Information. As used herein, "Confidential Information" means any and all information that the Company or any of its representatives furnishes or otherwise makes available to the Stockholder or its representatives, whether oral, written or electronic, together with any reports, memoranda, notes or other written or electronic materials prepared by or for the Stockholder or its representatives that contain, reflect or are based upon such information, in each case relating to any registration or sale of Registrable Shares or any other matter under this Agreement, and shall also include the fact that any discussions or other actions relating to a sale of Registrable Shares or any other matter under this Agreement have occurred or may occur or that Confidential Information has been or may be provided by the Company or its employees and advisers. Notwithstanding the foregoing, the Stockholder may disclose Confidential Material (i) as required by law; (ii) to those of its employees and advisers who need to know such information for the purpose of assisting the Stockholder in exercising its rights under this Agreement, so long as the Stockholder causes such

employees and advisers to treat the Confidential Material in a confidential manner and in accordance with the terms hereof (it being understood that Stockholder will be responsible for any breach of the terms of this Agreement caused by any of its employees or advisers) and (iii) to the extent that the Company gives its prior written consent. The Stockholder agrees to comply, and to cause its employees, advisers and other representatives to comply, with the provisions of the U.S. federal securities laws that prohibit trading in securities of the Company or any related securities while in possession of material, nonpublic information about the Company or any such securities.

Section 4.5 Registration Expenses. The Stockholder shall bear all agent fees and commissions, underwriting discounts and commissions and fees and disbursements of its counsel and accountants in connection with any registration of any Registrable Shares pursuant to Section 4.1 or 4.2. The Company shall bear all other fees and expenses incurred by it in connection with any registration statement pursuant to Section 4.1 or 4.2, including all registration and filing fees, all printing costs and all fees and expenses of counsel and accountants for the Company. It is agreed that the Company shall not bear any cost incurred by underwriters (including any fees of counsel for the underwriters), which shall be borne by the underwriters.

Section 4.6 Indemnification; Contribution. (a) The Company shall, and it hereby agrees to, indemnify and hold harmless the Stockholder and its controlling Persons, if any, and each underwriter and its controlling Persons, if any, in any offering or sale of the Registrable Shares, against any losses, claims, damages or liabilities, actions or proceedings (whether commenced or threatened) in respect thereof and expenses (including reasonable fees of counsel) (collectively, "Claims") to which each such indemnified party may become subject, insofar as such Claims (including any amounts paid in settlement effected with the consent of the Company as provided herein), or actions or proceedings in respect thereof, arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any registration statement, or any preliminary or final prospectus contained therein, or any amendment or supplement thereto, or any document incorporated by reference therein, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and the Company shall, and it hereby agrees to, reimburse periodically the Stockholder or any such underwriter for any legal or other out-of-pocket expenses reasonably incurred by them in connection with investigating or defending any such Claims; provided, however, that the Company shall not be liable to any such Person in any such case to the extent that any such Claims arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, or preliminary or final prospectus, or amendment or supplement thereto, in reliance upon information furnished to the Company by the Stockholder, any underwriter or any Representative of the Stockholder, expressly for use therein, or by the Stockholder's failure to furnish the Company, upon request, with the information with respect to the Stockholder, or any underwriter or Representative of the Stockholder, or the Stockholder's intended method of distribution, that is the subject of the untrue statement or omission.

(b) The Stockholder shall, and hereby agrees to, (i) indemnify and hold harmless the Company, its directors, officers, employees and controlling Persons, if any, and each underwriter, its partners, officers, directors, employees and controlling Persons, if any, in any offering or sale of Registrable Shares against any Claims to which each such indemnified party may become subject, insofar as such Claims (including any amounts paid in settlement as provided herein), or actions or proceedings in respect thereof, arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any registration statement, or any preliminary or final prospectus contained therein, or any amendment or supplement thereto, or any document incorporated by reference therein, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by the Stockholder expressly for use therein, and (ii) reimburse the Company for any legal or other out-of-pocket expenses reasonably incurred by the Company in connection with investigating or defending any such Claim.

(c) The Stockholder and the Company agree that if, for any reason, the indemnification provisions contemplated by Section 4.6(a) or 4.6(b) are unavailable to or are insufficient to hold harmless an indemnified party in respect of any Claims referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such Claims in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, with respect to the applicable offering of securities. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. If, however, the allocation in the first sentence of this Section 4.6(c) is not permitted by applicable law, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative faults, but also the relative benefits to the indemnifying party and the indemnified party, as well as any other relevant equitable considerations. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 4.6(c) were to be determined by *pro rata* allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the preceding sentences of this Section 4.6(c). The amount paid or payable by an indemnified party as a result of the Claims referred to above shall be deemed to include (subject to the limitations set forth in Section 4.7) any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action, proceeding or claim. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

Section 4.7 Indemnification Procedures.

(a) If an indemnified party shall desire to assert any claim for indemnification provided for under Section 4.6 in respect of, arising out of or involving a Claim against the

indemnified party, such indemnified party shall notify the Company or the Stockholder, as the case may be (the “Indemnifying Party”), in writing of such Claim, the amount or the estimated amount of Damages sought thereunder to the extent then ascertainable (which estimate shall not be conclusive of the final amount of such Claim), any other remedy sought thereunder, any relevant time constraints relating thereto and, to the extent practicable, any other material details pertaining thereto (a “Claim Notice”) promptly after receipt by such indemnified party of written notice of the Claim; provided, however, that failure to provide a Claim Notice shall not affect the indemnification obligations provided hereunder except to the extent the Indemnifying Party shall have been materially prejudiced as a result of such failure. The indemnified party shall deliver to the Indemnifying Party, promptly after the indemnified party’s receipt thereof, copies of all notices and documents (including court papers) received by the indemnified party relating to the Claim; provided, however, that failure to provide any such copies shall not affect the indemnification obligations provided hereunder except to the extent the Indemnifying Party shall have been materially prejudiced as a result of such failure.

(b) If a Claim is made against an indemnified party, the Indemnifying Party will be entitled to participate in the defense thereof and, if it so chooses and acknowledges without reservation its obligation to indemnify the indemnified party therefore, to assume the defense thereof with separate counsel selected by the Indemnifying Party and reasonably satisfactory to the indemnified party. Should the Indemnifying Party so elect to assume the defense of a Claim, the Indemnifying Party will not be liable to the indemnified party for legal expenses subsequently incurred by the indemnified party in connection with the defense thereof, unless the Claim involves potential conflicts of interest or substantially different defenses for the indemnified party and the Indemnifying Party. If the Indemnifying Party assumes such defense, the indemnified party shall have the right to participate in defense thereof and to employ counsel, at its own expense (except as provided in the immediately preceding sentence), separate from the counsel employed by the Indemnifying Party. The Indemnifying Party shall be liable for the fees and expenses of counsel employed by the indemnified party for any period during which the Indemnifying Party has not assumed the defense thereof and as otherwise contemplated by the two immediately preceding sentences, provided that in no event shall the Indemnifying Party be liable for the expenses of more than one separate counsel for all Indemnified Parties with respect to claims arising out of the same circumstances. If the Indemnifying Party chooses to defend any Claim, the other party shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the Indemnifying Party’s request) the provision to the Indemnifying Party of records and information that are reasonably relevant to such Claim, and use reasonable efforts to make employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnifying Party shall have assumed the defense of a Claim, the indemnified party shall not admit any liability with respect to, or settle, compromise or discharge, such Claim without the Indemnifying Party’s prior written consent (which consent shall not be unreasonably withheld or delayed). The Indemnifying Party may pay, settle or compromise a Claim without the written consent of the indemnified party, so long as such settlement includes (i) an unconditional release of the indemnified party from all liability in respect of such Claim, (ii) does not subject the indemnified party to any injunctive relief or other equitable remedy, and (iii) does not include a statement or admission of fault, culpability or failure to act by or on behalf of any indemnified party.

Section 4.8 Repurchase of Shares. (a) The Company shall have the right in its sole discretion, at any time and from time to time, to repurchase all Registrable Shares then outstanding, in whole but not in part, upon ten Business Day's prior notice to the Stockholder at a purchase price equal to the Market Value of such Registrable Shares calculated as of the second Business Day preceding the delivery of such notice. Upon delivery of such notice, the Stockholder shall be obligated to sell and deliver all such Registrable Shares to the Company, against payment of the purchase price by the Company, on the tenth Business Day following delivery of such notice and the Company's obligations under this Agreement with respect to such Registrable Shares shall be deemed satisfied, subject to the obligation to pay the purchase price. The parties shall take such actions as are reasonably necessary to complete any such repurchase as provided above.

ARTICLE V

MISCELLANEOUS

Section 5.1 Termination. Except for the Section 4.5, Section 4.6 and Section 4.7, each of which shall survive termination of this Agreement, upon the consummation of a sale of all or substantially all of the Company's assets or any tender or exchange offer, merger (other than a merger by the Company to effect a reorganization or recapitalization) or consolidation or any similar transaction in which the Stockholder disposes of all Common Stock (and any Preferred Interests that remain then outstanding) or that otherwise results in the acquisition of all (but not less than all) Trust Shares (and Preferred Interests remaining then outstanding), this Agreement shall terminate and be of no further force and effect.

Section 5.2 Injunctive Relief. Each party hereto acknowledges that it would be impossible to determine the amount of damages that would result from any breach of any of the provisions of this Agreement and that the remedy at law for any breach, or threatened breach, of any of such provisions would likely be inadequate and, accordingly, agrees that the other party shall, in addition to any other rights or remedies which it may have, be entitled to such equitable and injunctive relief as may be available from any court of competent jurisdiction to compel specific performance of, or restrain any party from violating, any of such provisions. In connection with any action or proceeding for injunctive relief, each party hereto hereby waives the claim or defense that a remedy at law alone is adequate and agrees, to the maximum extent permitted by law, to have each provision of this Agreement specifically enforced against it, without the necessity of posting bond or other security against it, and consents to the entry of injunctive relief against it enjoining or restraining any breach or threatened breach of such provisions of this Agreement.

Section 5.3 Assignments. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, legal representatives and permitted assigns. Neither party may directly or indirectly assign any of its rights or delegate any of its obligations under this Agreement, by operation of law or otherwise, without the prior written consent of the other party (or, solely in the case of Section 2.2(d), the other parties). Any purported direct or indirect assignment in violation of this Section 5.3 shall be null and void *ab*

initio. It is understood that the Independent Fiduciary is a party hereto solely for the purpose (and to the extent) of Section 2.2(d) hereof.

Section 5.4 Amendments; Waiver. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by (i) the Company, where enforcement of the amendment, modification, discharge or waiver is sought against the Company or (ii) the Stockholder, where enforcement of the amendment, modification, discharge or waiver is sought against the Stockholder. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time. The waiver by the Company or the Stockholder of a breach of or a default under any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall not be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. The rights and remedies herein provided are cumulative and none is exclusive of any other, or of any rights or remedies that any party may otherwise have at law or in equity.

Section 5.5 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing and shall be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service, (b) sent by facsimile with confirmation of transmission by the transmitting equipment, or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case, to the following addresses or facsimile numbers and marked to the attention of the person (by name or title) designated below, or to such other persons or addresses as may be designated in writing by the party to receive such notice as provided below:

To the Company:

AT&T Inc.
One AT&T Plaza
208 S. Akard Street, Suite 3702
Telephone: (214) 757-3300
Fax: (214) 746-2103
Attention: General Counsel

With a copy to:

AT&T Inc.
One AT&T Plaza
208 S. Akard Street, 27th Floor
Telephone: (214) 757-3230
Fax: (214) 746-2268
Attention: Treasurer

To the Stockholder:

[•]

With a copy to:

[•]

Section 5.6 GOVERNING LAW; FORUM SELECTION. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES THEREOF. ANY ACTION OR PROCEEDING AGAINST THE PARTIES RELATING IN ANY WAY TO THIS AGREEMENT MAY BE BROUGHT AND ENFORCED EXCLUSIVELY IN THE COURTS OF THE STATE OF NEW YORK LOCATED IN THE BOROUGH OF MANHATTAN OR (TO THE EXTENT SUBJECT MATTER JURISDICTION EXISTS THEREFOR) THE U.S. DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND THE PARTIES IRREVOCABLY SUBMIT TO THE JURISDICTION OF BOTH SUCH COURTS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING.

Section 5.7 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 5.7.

Section 5.8 Interpretation. The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

Section 5.9 Entire Agreement; No Other Representations. Except for the Contribution Agreement, this Agreement constitutes the entire agreement, and supersedes all prior agreements, understandings representations and warranties both written and oral, between the parties with respect to the subject matter hereof.

Section 5.10 No Third Party Beneficiaries. Except as explicitly provided for in Section 4.6 and Section 4.7, this Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 5.11 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision; and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 5.12 Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

Section 5.13 Effectiveness. This Agreement shall become effective as of the Contribution Date.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective authorized officers as of the date first written above.

AT&T INC.

By: _____
Name:
Title:

JP MORGAN CHASE BANK, N.A.,
AS TRUSTEE OF THE SBC
MASTER PENSION TRUST

By: _____
Name:
Title:

Acknowledged and confirmed,
as provided in Section 2.2(d).

BROCK FIDUCIARY SERVICES, LLC

By: _____
Name:
Title:

[Signature Page to Registration Rights Agreement]

EXHIBIT E

FINANCIAL STATEMENTS

Financial statements for the AT&T Pension Benefit Plan and the AT&T Puerto Rico Pension Benefit Plan are attached hereto.

**AT&T Pension Benefit Plan
AT&T Puerto Rico Pension Benefit Plan
Financial Statements**

Years Ended December 31, 2011 and 2010 with Report of Independent Auditors

AT&T Pension Benefit Plan and AT&T Puerto Rico Pension Benefit Plan

Financial Statements

Years Ended December 31, 2011 and 2010

Contents

Report of Independent Auditors.....	1
Financial Statements	
Statements of Net Assets Available for Benefits.....	2
Statements of Changes in Net Assets Available for Benefits.....	3
Notes to Financial Statements.....	4

Report of Independent Auditors

Plan Administrator
AT&T Inc.

We have audited each of the accompanying statements of net assets available for benefits of the AT&T Pension Benefit Plan and the AT&T Puerto Rico Pension Benefit Plan as of December 31, 2011 and 2010, and the related statements of changes in net assets available for benefits for each of the Plans for the years then ended. These financial statements are the responsibility of the Plans' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plans' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plans' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements for each of the Plans referred to above present fairly, in all material respects, the financial status of each of the Plans at December 31, 2011 and 2010, and the changes in their financial status for the years then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the Plans' financial statements, the Plans have elected to change their method of accounting for the interest rates used to calculate the actuarial present value of accumulated plan benefits in 2011.

Ernst & Young LLP

September 14, 2012

Statements of Net Assets Available for Benefits
At December 31
(Dollars in Thousands)

	2011		2010	
	AT&T Pension Benefit Plan	AT&T Puerto Rico Pension Benefit Plan	AT&T Pension Benefit Plan	AT&T Puerto Rico Pension Benefit Plan
Assets				
Investments, at fair value				
Plan interest in SBC Master Pension Trust	\$ 45,882,003	\$ 18,010	\$ 47,762,965	\$ 18,423
Contributions receivable	-	2,972	-	144
Net assets available for benefits	<u>\$ 45,882,003</u>	<u>\$ 20,982</u>	<u>\$ 47,762,965</u>	<u>\$ 18,567</u>

See accompanying notes.

Statements of Changes in Net Assets Available for Benefits
For the Years Ended December 31
(Dollars in Thousands)

	2011		2010	
	AT&T Pension Benefit Plan	AT&T Puerto Rico Pension Benefit Plan	AT&T Pension Benefit Plan	AT&T Puerto Rico Pension Benefit Plan
Additions				
Net investment gain from Plan's interest in:				
SBC Master Pension Trust	\$ 2,069,369	\$ 694	\$ 6,252,799	\$ 2,335
Contributions	1,000,000	2,972	—	144
Total additions, net of investment loss	3,069,369	3,666	6,252,799	2,479
Deductions				
Pension and death benefits	4,948,702	1,251	5,483,562	996
Total deductions	4,948,702	1,251	5,483,562	996
Net increase (decrease) before transfers	(1,879,333)	2,415	769,237	1,483
Transfers due to Mandatory Portability Agreement (<i>Note 1</i>)	(1,629)	—	3,059	—
Net assets available for benefits, beginning of year	47,762,965	18,567	46,990,669	17,084
Net assets available for benefits, end of year	\$ 45,882,003	\$ 20,982	\$ 47,762,965	\$ 18,567

See accompanying notes

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(dollars in thousands)

1. Plan Descriptions

This report includes the selected employee benefit plans (the Pension Plans) of AT&T Inc. (AT&T) and its wholly owned subsidiaries (collectively, the Company) that participate in the SBC Master Pension Trust (MPT). The following descriptions of the AT&T Pension Benefit Plan (AT&T Plan) and the AT&T Puerto Rico Pension Benefit Plan (PR Plan) provide general information. The Pension Plans are summarized in the Summary Plan Descriptions, which have been distributed to all participants. Specific details of the Pension Plans' provisions are contained in the official plan documents, which may be examined without charge, by participants or beneficiaries at the participant's benefit office. Plan participants or beneficiaries may obtain copies of the plan document by writing to the secretary of the employees' benefit committee. There is a charge for copying the document. The Pension Plans are subject to the provisions of the Employee Retirement Income Security Act of 1974 as amended (ERISA).

Pursuant to the Mandatory Portability Agreement (Agreement), participants covered by the Agreement may transfer their accumulated interest in the Pension Plans to and from other plans sponsored by companies outside of the AT&T-controlled group that were part of the Bell System before its divestiture in 1984.

AT&T Pension Benefit Plan

The AT&T Plan is a noncontributory qualified defined benefit pension plan covering substantially all U.S. bargained and nonbargained employees of the participating subsidiaries of AT&T. Employees of participating subsidiaries are eligible to participate in the AT&T Plan if they meet the eligibility requirements for the underlying applicable program, which are discussed below.

At December 31, 2011 and 2010, the AT&T Plan's assets are invested in the MPT (see Note 9).

The AT&T Plan maintains the following programs, under which participants' benefits are calculated based on the plan from which they were merged:

- The Bargained Cash Balance Program maintains benefits for various collective bargaining units that have negotiated for their members to receive this specific cash balance form of pension benefit, but excludes new hires from certain collective bargaining units beginning August 8, 2009.
- The Bargained Cash Balance Program #2 maintains benefits for various collective bargaining units that have negotiated for their members to receive this specific cash balance form of pension benefit and includes a substantial majority of bargained employees hired after August 8, 2009.
- The Southwest Program (formerly known as the "Bargained Program") maintains benefits for various collective bargaining units that have negotiated for their members to receive this pension benefit and covers participants employed by a Southwest Participating Company, as defined by the AT&T Plan, but excludes most new hires after various negotiated dates beginning August 8, 2009.
- The Nonbargained Program maintains benefits of certain nonbargained participants (with the exception of those programs mentioned below, which cover nonbargained participants) of the AT&T Plan who are employed by a Nonbargained Participating Company, as defined by the AT&T Plan, and who were hired prior to January 1, 2007.
- The West Program maintains benefits for various collective bargaining units that have negotiated for their members to receive this pension benefit and covers participants employed by a West Participating Company, as defined by the AT&T Plan, but excludes most new hires after various negotiated dates beginning August 8, 2009.
- The East Program maintains benefits for various collective bargaining units that have negotiated for their members to receive this pension benefit and covers participants employed by an East Participating Company, as defined by the AT&T Plan, effective January 1, 2011, but excludes most new hires after various negotiated dates beginning August 8, 2009.
- The Midwest Program maintains benefits for various collective bargaining units that have negotiated for their members to receive this pension benefit and covers participants employed by a Midwest Participating

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

Company, as defined by the AT&T Plan, but excludes most new hires after various negotiated dates beginning August 8, 2009.

- The Mobility Program maintains benefits of (i) all U.S. nonbargained employees hired prior to January 1, 2006, employed by a Mobility Participating Company and (ii) bargained participants whose collective bargaining units have negotiated for their members to receive this pension benefit, and covers participants employed by a Mobility Participating Company, as defined by the AT&T Plan, but excludes most new hires after various negotiated dates beginning January 1, 2010.
- The AT&T Legacy Management Program maintains benefits of all U.S. nonbargained employees hired prior to January 1, 2007, employed by an AT&T Legacy Management Participating Company, as defined by the AT&T Plan.
- The Mobility Bargained Program maintains benefits for various collective bargaining units that have negotiated for their members to receive this pension benefit and covers participants employed by a Mobility Bargained Participating Company, as defined by the AT&T Plan, but excludes most new hires after various negotiated dates beginning January 1, 2010.
- The Midwest Publishing Ventures Program maintains benefits of individuals who were formerly employees of Ameritech Publishing Ventures, Inc. (APVI) and was frozen in 1992.
- The Management Cash Balance Program maintains benefits of specified management employees of the AT&T Controlled Group, as defined by the AT&T Plan, generally hired on or after January 1, 2007 (except for certain AT&T Mobility Services, LLC employees hired on or after January 1, 2006), and who are not residents of Puerto Rico.
- The Southeast Management Program maintains benefits for certain nonbargained employees of BellSouth Corporation and its subsidiaries hired prior to January 1, 2007.
- The Southeast Program maintains benefits for substantially all represented employees of BellSouth Corporation and its subsidiaries, effective January 1, 2011, but excludes most new hires after various negotiated dates beginning August 8, 2009.
- The AT&T Legacy Bargained Program maintains benefits for various collective bargaining units that have negotiated for their members to receive this pension benefit and covers participants employed by an AT&T Legacy Bargained Participating Company, as defined by the AT&T Plan, but excludes most new hires after various negotiated dates beginning August 8, 2009.

Bargained Cash Balance Program

Under the Bargained Cash Balance Program, employee pension benefits are generally calculated as a percentage of pay that is credited to a hypothetical account that accrues interest at a market rate based on the yield on 30-year U.S. Treasuries. Employees become eligible to participate in the Bargained Cash Balance Program if they have completed one year of service and are vested after five years of service (effective January 1, 2010, for active employees, three years of service). Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a lump sum, life annuity, or joint and survivor annuity in accordance with the terms of the AT&T Plan.

Bargained Cash Balance Program #2

Under the Bargained Cash Balance Program #2, employee pension benefits are calculated as a percentage of pay based on age plus 2% supplemental credits of pay that exceeds the Social Security Wage Base, which is credited to a hypothetical account that accrues 4.5% interest. Employees become eligible to participate in the Bargained Cash Balance Program #2 if they have completed one year of service and are vested after three years of service. Once vested and following a termination of employment, employees may generally elect to receive their benefit in the form of an annuity or a joint and survivor annuity (and for certain bargained groups a lump sum) in accordance with the terms of the AT&T Plan.

Southwest Program

Under the Southwest Program, employee pension benefits for bargained employees are generally calculated using a pension benefit formula based on a flat dollar amount per year of service according to job classification. Employees

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010
(dollars in thousands)

become eligible to participate in the Southwest Program if they have completed one year of service and are vested after five years of service (effective January 1, 2010, for active employees represented by certain, but not all, collective bargaining agreements, three years of service). Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a lump sum, life annuity, or joint and survivor annuity in accordance with the terms of the AT&T Plan.

Nonbargained Program

At December 31, 2004, the nonbargained employees' pension calculation formula was a cash balance plan formula, with a minimum benefit based upon a stated percentage of employees' adjusted career income. A nonbargained employee's pension benefit was the greater of the amount calculated under (i) the cash balance or defined lump sum formula or (ii) the traditional benefit formula. The Nonbargained Program was amended, effective January 15, 2005, to freeze benefit accruals under the cash balance and defined lump sum benefit formulas and to require that all future benefit accruals be based upon the plan's traditional pension formula (i.e., a stated percentage of an employee's adjusted career income). Each nonbargained employee's existing cash balance or defined lump sum will continue to earn interest at a variable annual market rate based on 30-year U.S. Treasuries. Employees become eligible to participate in the Nonbargained Program if they have completed one year of service and are vested after five years of service (effective January 1, 2010, for active employees, three years of service).

Once vested and following a termination of employment, employees may elect to receive the portion of their previous pension benefit derived under the cash balance or defined lump sum as a lump sum or an annuity. The remaining pension benefit, if any, will be paid as a joint and survivor annuity, or life annuity if its value exceeds a stated monthly amount in accordance with the terms of the AT&T Plan.

West Program

Under the West Program, employee pension benefits are generally calculated using a pension benefit formula based on a flat dollar amount per year of service according to job classification. Employees become eligible to participate in the West Program if they have completed one year of service and are vested after five years of service. Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a lump sum, life annuity, or joint and survivor annuity in accordance with the terms of the AT&T Plan.

East Program

Under the East Program, employee pension benefits are generally calculated using a cash balance formula applying basic benefit credits determined based on pay and service category, which are credited to a hypothetical account that accrues interest determined based on a negotiated interest crediting rate 4% and for employees employed on or after August 8, 2009, the annual market rate based on 30-year U.S. Treasuries. Employees become eligible to participate in the East Program if they have completed one year of service and are vested after five years of service (effective January 1, 2010, for active employees, three years of service). Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a lump sum, life annuity, joint and survivor annuity, life annuity with a lump sum to surviving spouse or estate, or a combination of lump sum and life annuity in accordance with the terms of the AT&T Plan.

Midwest Program

Under the Midwest Program, employee pension benefits are generally calculated using a pension benefit formula based on a flat dollar amount per year of service according to job classification. Employees become eligible to participate in the Midwest Program if they have completed one year of service after attaining age 21 and are vested after five years of service. Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a lump sum, life annuity, or joint and survivor annuity in accordance with the terms of the AT&T Plan.

Mobility Program

Under the Mobility Program, employee pension benefits are generally calculated using a cash balance formula applying basic benefit credits determined based on pay, which are credited to a hypothetical account that accrues

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

(dollars in thousands)

interest at a market rate based on the yield on 30-year Treasuries. Employees become eligible to participate in the Mobility Program if they have completed one year of service and are vested after five years of service (effective January 1, 2010, for active employees, three years of service). Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a lump sum, life annuity, or joint and survivor annuity in accordance with the terms of the AT&T Plan.

AT&T Legacy Management Program

Under the AT&T Legacy Management Program, employee pension benefits are calculated under a cash balance formula calculated as basic credits as a percentage of pay based on an age credit factor plus supplemental credits of pay (again based on an age credit factor) that exceeds the Social Security Wage Base, which is credited to a hypothetical account that accrues interest at an annual rate of 4%. Participants on an active roll of a participating company at January 1, 1997, also participate in a frozen pension formula that provides for a minimum pension benefit based on a formula that included pensionable compensation and net credit service through July 31, 1997, or a formula based on an average annual pensionable compensation for a three-year pay base averaging period through December 1996. Participants with a greater annuity benefit from prior plan formulas will receive the greater amount. Employees become eligible to participate in the AT&T Legacy Management Program immediately upon the attainment of age 21, and are vested after five years of service (effective January 1, 2010, for active employees, three years of service). Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a life annuity or joint and survivor annuity in accordance with the terms of the AT&T Plan. However, the participant can instead elect to receive a lump sum amount up to a certain threshold, with the remainder paid as an annuity.

Mobility Bargained Program

Under the Mobility Bargained Program, employee pension benefits are generally calculated using a pension benefit formula based on a flat dollar amount per year of service according to job classification. Employees become eligible to participate in the Mobility Bargained Program if they have completed one year of service and are vested after five years of service. Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a life annuity or joint and survivor annuity, and in some limited cases a lump sum, in accordance with the terms of the AT&T Plan.

The Mobility Bargained Program also maintains benefits accrued under the Southern New England Telephone (SNET) bargaining units in the Communications Workers of America (CWA) District 1 and members of the Pacific Bell Wireless Facilities bargaining unit in the CWA District 9. Benefits accrued under District 1 ceased December 31, 2005, and benefits accrued under District 9 ceased December 31, 2002. Accrued benefits will be administered pursuant to the provisions of the AT&T Plan.

Midwest Publishing Ventures Program

Under the Midwest Publishing Ventures Program, employee pension benefits were frozen as of December 31, 1993, with no new participants added after that date. Participants in the Midwest Publishing Ventures Program are also participants in either the Nonbargained Program or the Midwest Program. Following a termination of employment, employees may elect to receive their Midwest Publishing Ventures Program benefit in the form of a lump sum, life annuity or joint and survivor annuity in accordance with the terms of the AT&T Plan.

Management Cash Balance Program

Under the Management Cash Balance Program, employee pension benefits are calculated as basic credits as a percentage of pay based on an age credit factor, plus 2% supplemental credits of pay that exceeds the Social Security Wage Base, which is credited to a hypothetical account that accrues 4.5% interest. Employees become eligible to participate in the Management Cash Balance Program if they have completed one year of service and are vested after three years of service. Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a life annuity or joint and survivor annuity in accordance with the terms of the AT&T Plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

Southeast Management Program

Under the Southeast Management Program, employee pension benefits are calculated under a cash balance formula calculated as basic credits as a percentage of pay based on service plus 3% supplemental credits of pay that exceeds the Social Security Wage Base, which is credited to a hypothetical account that accrues interest at a market rate based on the yield on 30-year Treasuries. Certain specified participants as of June 30, 1993, also participate in a frozen pension formula that provides a minimum pension benefit based on a formula that included pensionable compensation through June 30, 1993, and net credit service through December 31, 2005. Participants with an accrued benefit from the prior plan formula will receive the greater amount. Employees become eligible to participate in the Southeast Management Program immediately and are vested after three years of service. Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a lump sum, life annuity or joint and survivor annuity in accordance with the terms of the AT&T Plan.

Southeast Program

Under the Southeast Program, employee pension benefits are calculated under a cash balance formula based on credits, determined by reference to pension bands that are credited to a hypothetical account that accrues interest at a market rate based on the yield on 30-year U.S. Treasuries. Benefits prior to January 1, 1999, remain under the traditional dollar per year of service annuity pension formula. Employees become eligible to participate in the Southeast Program immediately and are vested after five years of service (effective January 1, 2010, for active employees, three years of service). Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a lump sum, life annuity, joint and survivor annuity, or a combination of lump sum and annuity in accordance with the terms of the AT&T Plan.

AT&T Legacy Bargained Program

Under the AT&T Legacy Bargained Program, employee pension benefits are calculated under a cash balance formula based on credits, determined by reference to pension bands that are credited to a hypothetical account that accrues interest at an annual rate of 4% or the annual market rate based on the yield of 30-year Treasuries, depending upon the provisions of the applicable bargaining agreement. Certain participants who met certain eligibility requirements as of September 30, 1998, are generally eligible for a traditional dollar per year of service annuity pension formula (and receive the greater of this traditional formula and the cash balance benefit).

Employees become eligible to participate in the AT&T Legacy Bargained Program immediately upon attainment of age 21 and are vested after five years of service (effective January 1, 2010, for active employees, three years of service). Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a lump sum, life annuity, or joint and survivor annuity in accordance with the terms of the AT&T Plan.

AT&T Puerto Rico Pension Benefit Plan

The PR Plan is a noncontributory qualified defined benefit pension plan covering substantially all bargained and nonbargained employees of the participating subsidiaries of AT&T who reside in the Commonwealth of Puerto Rico. Employees of participating subsidiaries are eligible to participate in the PR Plan if they meet the eligibility requirements for the underlying applicable program, which are discussed below.

At December 31, 2011 and 2010 the PR Plan's assets are invested in the MPT (see Note 9).

The PR Plan maintains the following programs, under which participants' benefits are calculated based on the plan from which they merged:

- The AT&T Legacy Management Program maintains benefits for management employees who are residents of the Commonwealth of Puerto Rico. AT&T Corporation (ATTC) originally established the AT&T Management Pension Plan effective October 1, 1980, covering management employees of ATTC and its subsidiaries. Effective December 31, 2006, the participants in that plan, and their respective beneficiaries and alternate payees, who were residents of the Commonwealth of Puerto Rico were transferred to a new plan, which at the time was known as the AT&T Puerto Rican Pension Benefit Plan, AT&T Legacy

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

Management Program, and AT&T became the Plan Sponsor. Effective January 1, 2009, this plan was renamed the AT&T Puerto Rico Pension Benefit Plan (PR Plan).

- The AT&T Legacy Bargained Program (formerly the AT&T Pension Plan) maintains benefits of specified non-management employees who are residents of the Commonwealth of Puerto Rico of participating companies as defined by the PR Plan.
- The Mobility Program (formerly the CWPP) maintains benefits of all employees on the Puerto Rico payroll of a subsidiary of AT&T Mobility Services, LLC, formerly Cingular Wireless Services, LLC (Mobility).

AT&T Legacy Management Program

Under the AT&T Legacy Management Program, employee pension benefits are calculated under a cash balance formula calculated as basic credits as a percentage of pay based on an age credit factor plus supplemental credits of pay (again based on an age credit factor) that exceeds the Social Security Wage Base, which is credited to a hypothetical account that accrues interest at an annual rate of 4%. Participants on an active roll of a participating company at January 1, 1997, also participate in a frozen pension formula that provides for a minimum pension benefit based on a formula that included pensionable compensation and net credit service through July 31, 1997, or a formula based on an average annual pensionable compensation for a three-year pay base averaging period through December 1996. Participants with a greater annuity benefit from prior plan formulas will receive the greater amount. Employees become eligible to participate in the PR AT&T Legacy Management Program immediately and are vested after five years of service (effective January 1, 2010, for active employees, three years of service). Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a life annuity or joint and survivor annuity in accordance with the terms of the PR Plan. However, the participant can instead elect to receive a lump sum amount up to a certain threshold, with the remainder paid as an annuity.

AT&T Legacy Bargained Program

Under the AT&T Legacy Bargained Program, employee pension benefits are calculated under a cash balance formula based on credits, determined by reference to pension bands that are credited to a hypothetical account that accrues interest at an annual rate of 4%. Certain participants who met certain eligibility requirements as of September 30, 1998, are generally eligible for a traditional dollar per year of service annuity pension formula (and receive the greater of this traditional formula and the cash balance benefit).

Employees become eligible to participate in the AT&T Legacy Bargained Program immediately upon attainment of age 21 and are vested after five years of service (effective January 1, 2010, for active employees, three years of service). Once vested and following a termination of employment, employees may elect to receive their benefit in the form of a lump sum, life annuity, or joint and survivor annuity in accordance with the terms of the PR Plan.

Mobility Program

Under the Mobility Program employee pension benefits are generally calculated as a percentage of pay, which is credited to a hypothetical account that accrued interest at a market rate based on the yield on 30-year Treasuries. Employees are eligible to participate in the Mobility Program if they have completed one year of service and are vested after five years of service; however, effective January 1, 2010, for active employees, three years of service. If a participant reaches normal retirement age, dies or becomes disabled while still employed by Mobility and prior to attaining vested status, the participant would become fully vested at that time.

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

Benefits are recorded when paid.

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 in an orderly transaction between market participants at the measurement date. See Note 3 for further discussion.

Investments in securities traded on a national securities exchange are valued at the last reported sales price on the last 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. Over-the-counter (OTC) securities and government obligations are valued at the bid price or the average of the bid and asked price on the last business day of the year from published sources where available and, if not available, from other sources considered reliable. Depending on the types and contractual terms of OTC derivatives, fair value is measured using valuation techniques, such as the Black-Scholes option pricing model, simulation models or a combination of various models.

Common/collective trust funds, pooled separate accounts, and other commingled (103-12) 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.

Alternative investments, including investments in private equity, real estate, natural resources (included in real assets), mezzanine and distressed debt (included in partnerships/joint ventures), limited partnership interest, fixed income securities and hedge funds do not have readily available market values. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed, and such differences could be material. Alternative investments not having an established market are valued at fair value as determined by the investment managers. Private equity, mezzanine and distressed investments are often valued initially by the investment managers based upon cost. Thereafter, investment managers may use available market data to determine adjustments to carrying value based upon observations of the trading multiples of public companies considered comparable to the private companies being valued. Such market data used to determine adjustments to accounts for cash flows and company-specified issues include current operating performance and future expectations of the investments, changes in market outlook, and the third-party financing environment. Private equity partnership holdings may also include publicly held equity investments in liquid markets that are marked-to-market at quoted public values, subject to adjustments for large positions held. Real estate and natural resource direct investments are valued either at amounts based upon appraisal reports prepared by independent third-party appraisers or at amounts as determined by internal appraisals performed by the investment manager, which have been agreed to by an external valuation consultant. Fixed income securities valuation is based upon pricing provided by an external pricing service when such pricing is available. In the event a security is too thinly traded or narrowly held to be priced by such a pricing service, or the price furnished by such external pricing services is deemed inaccurate, the managers will then solicit broker/dealer quotes (spreads or prices). In cases where such quotes are available, fair value will be determined based solely upon such quotes provided. Managers will typically use a pricing matrix for determining fair value in cases where an approved pricing service or a broker/dealer is unable to provide a fair valuation for specific fixed-rate securities such as many private placements. New fixed-rate securities will be initially valued at cost at the time of purchase. Thereafter, each bond will be assigned a spread from a pricing matrix that will be added to current Treasury rates. The pricing matrix 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

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

Change in Accounting Principle

Effective January 1, 2011, AT&T elected to change its basis of determining the rate of return being applied to the actuarial calculation of the accumulated plan benefits as disclosed in Note 4. Two approaches exist that can be used to select the rate of return under Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 960, *Plan Accounting – Defined Benefit Pension Plans*: 1) historic rate which reflects an insurance company's purchase rate as of the benefit information date (which the Plans have historically used) or 2) the adjusted rate which reflects the long-term expected rate of return on assets. AT&T believes that the long-term expected rate of return on assets is preferable because using this rate will result in a more stable rate from year-to-year, and it is the more commonly used approach. Comparative disclosures of the accumulated plan benefits of prior years have been adjusted to apply the new method retrospectively.

Recent Accounting Standards

Improving Disclosures about Fair Value Measurements In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements*, (ASU 2010-06). ASU 2010-06 amended Accounting Standards Codification Topic 820 *Fair Value Measurements*, (ASC 820) to clarify certain existing fair value disclosures and require a number of additional disclosures. The requirement to present changes in Level 3 measurements on a gross basis is effective for reporting periods beginning after December 15, 2010. Since ASU 2010-06 only affects fair value measurement disclosures, adoption of ASU 2010-06 did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*, (ASU 2011-04). ASU 2011-04 amended ASC 820, *Fair Value Measurements*, to converge the fair value measurement guidance in US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan's financial statements.

Contributions and Actuarial Method

Contributions to the Pension Plans are determined on a going-concern basis by an actuarial cost method known as the unit credit method. Under this method, benefits are estimated at each decrement age using service and earnings as of the valuation date, such that accumulated net assets of the Pension Plans (including future investment earnings and contributions as estimated by the enrolled actuary) should be sufficient to pay all future benefits for current and former employees and their beneficiaries at the time those benefits become payable. The actual return on investments (when positive) of the Pension Plans serves to reduce future contributions that would otherwise be required to provide the defined level of benefits. The assumed valuation interest rate utilized for the calculation of contribution levels are presented below:

	<u>2011</u>	<u>2010</u>
Effective interest rate:		
AT&T Pension Benefit Plan	6.23%	6.64%
AT&T Puerto Rico Pension Benefit Plan	6.27%	6.67%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

The Pension Plans have met the ERISA minimum funding requirements for 2011 and 2010.

Actuarial Present Values of Accumulated Plan Benefits

Accumulated plan benefits are those estimated future periodic payments, including lump sum distributions that are attributable under the Pension Plans' provisions to the service that employees have rendered to AT&T's participating subsidiaries as of the valuation date. Accumulated plan benefits include benefits expected to be paid to: (a) retired or terminated employees or their beneficiaries; (b) beneficiaries of deceased employees; and (c) present employees or their beneficiaries. The accumulated plan benefits for active employees are based on census data and the plan provisions in effect at the end of the plan year. Benefits payable upon retirement, death, disability, or withdrawal are included to the extent that they are deemed attributable to employee service rendered as of the valuation date.

The actuarial present value of accumulated plan benefits is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant assumptions used to determine the actuarial present values of accumulated plan benefits as of December 31, 2011 and December 31, 2010 include (a) rates of retirement, withdrawal, and disability based on experience studies of participating subsidiary employees; (b) rates of mortality based on RP-00 Combined Healthy Projection AA Mortality Table (fully generational); (c) the following interest rates:

	<u>2011</u>	<u>2010</u>
Expected Return on Assets:		
AT&T Pension Benefit Plan	8.25%	8.25%
AT&T Puerto Rico Pension Benefit Plan	8.25%	8.25%

The foregoing actuarial assumptions are based on the presumption that the Pension Plans will continue. Were the Pension Plans to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Effective January 1, 2011, AT&T elected to change the interest rate assumption used in the actuarial calculation of the accumulated plan benefits from its historic practice of using an alternative method of an interest rate¹ which reflected an insurance company's purchase rate to an interest rate that reflects the long-term expected rate of return on the Plans' assets. AT&T believes that the long-term expected rate of return on assets is preferable because using this rate will result in a more stable rate from year-to-year, and it is the more commonly used approach.

3. Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

¹ Historically AT&T used interest rates of 5.8% and 6.5% as of December 31, 2010 and 2009, respectively, in the determination of accumulated plan benefits obligation for both the AT&T Pension Benefit Plan and the AT&T Puerto Rico Pension Benefit Plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

(dollars in thousands)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Pension Plans have the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted market prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

- Fair value is often based on internally developed models in which there are few, if any, external observations.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described in Note 2 may produce a fair value calculation that may not be indicative of net future realizable value or reflective of future fair values. Furthermore, while the Pension Plans' management believes that its 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 at December 31, 2011 and 2010.

See Note 9 for the fair value hierarchy for the MPT investments.

4. Accumulated Plan Benefits

As previously discussed in Note 2, effective January 1, 2011, AT&T changed its interest rate assumption used in the Plans' determination of the actuarial present value of the accumulated benefits obligation from an interest rate reflective of an insurance company's purchase rate to the expected rate of return on plan assets. The Plans' actuarial present value of accumulated plan benefits as of December 31, 2011 and 2010 presented below were determined using 8.25% as of December 31, 2011 and 2010.

However, for reporting in the plan sponsor's financial statements, AT&T uses an interest rate that reflects the hypothetical rate at which the obligations could be effectively settled or paid to participants, which is 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 and the related expected duration for the obligations. At December 31, 2011 the projected

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

benefit obligation for the plan sponsor was determined using an interest rate of 5.30%, resulting in an obligation of \$56,083,727 for the AT&T Plan and \$26,003 for the PR Plan. At December 31, 2010 the projected benefit obligation for the plan sponsor was determined using an interest rate of 5.80%, resulting in an obligation of \$53,895,110 for the AT&T Plan and \$21,826 for the PR Plan.

The actuarial present values of the Pension Plans' accumulated plan benefits at December 31, 2011 and 2010 are presented below:

December 31, 2011	AT&T Pension Benefit Plan	AT&T Puerto Rico Pension Benefit Plan
Vested benefits:		
Participants currently receiving payments	\$21,102,356	\$5,475
Other participants	19,748,780	10,831
Nonvested benefits	1,335,184	430
Total	\$42,186,320	\$16,736

December 31, 2010	AT&T Pension Benefit Plan	AT&T Puerto Rico Pension Benefit Plan
Vested benefits:		
Participants currently receiving payments	\$21,258,883	\$4,903
Other participants	20,075,345	10,211
Nonvested benefits	1,301,499	356
Total	\$42,635,727	\$15,470

The major changes in the Pension Plans accumulated plan benefits between the December 31, 2010 and December 31, 2011 actuarial valuations are as follows:

	AT&T Pension Benefit Plan	AT&T Puerto Rico Pension Benefit Plan
Actuarial present value of accumulated plan benefits as of December 31, 2010	\$42,635,727	\$15,470
Increase (decrease) during the year attributable to:		
Increase for interest due to decrease in discount period	3,317,359	1,226
Additional benefits earned and experience gains/losses	747,544	1,865
Benefits paid	(4,948,700)	(1,251)
Assumption changes (<i>see Note 2</i>)	434,390	(574)
Net increase	(449,407)	1,266
Actuarial present value of accumulated plan benefits as of December 31, 2011	\$42,186,320	\$16,736

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**DECEMBER 31, 2011 AND 2010***(dollars in thousands)*

The major changes in the Pension Plans accumulated plan benefits between the December 31, 2009 and December 31, 2010 actuarial valuations are as follows:

	AT&T Pension Benefit Plan	AT&T Puerto Rico Pension Benefit Plan
Actuarial present value of accumulated plan benefits as of December 31, 2009	\$42,041,947	\$14,363
Increase (decrease) during the year attributable to:		
Increase for interest due to decrease in discount period	3,345,264	1,182
Additional benefits earned and experience gains/losses	1,197,762	1,086
Benefits paid	(5,483,614)	(944)
Plan amendments	2,107	-
Assumption changes (see Note 2)	1,532,261	(217)
Net increase	<u>593,780</u>	<u>1,107</u>
Actuarial present value of accumulated plan benefits as of December 31, 2010	<u>\$42,635,727</u>	<u>\$15,470</u>

The change due to plan amendments includes changes to the compensation averaging period used in benefit determination.

AT&T previously reported the total actuarial present value of accumulated plan benefits as of December 31, 2010 of \$51,895,090 for the AT&T Pension Benefit Plan and \$19,903 for the AT&T Puerto Rico Pension Benefit Plan based on an interest rate of 5.8%, used as of December 31, 2010. AT&T previously reported the total actuarial present value of accumulated plan benefits as of December 31, 2009 of \$49,104,781 for the AT&T Pension Benefit Plan and \$17,620 for the AT&T Puerto Rico Pension Benefit Plan based on an interest rate of 6.5% used as of December 31, 2009.

5. Voluntary Enhanced Pension and Retirement Benefit Programs

During 2011 and 2010, as part of AT&T's workforce-reduction program, an enhanced retirement program (ERB) was offered to eligible Pacific Telesis Group (PTG) nonmanagement employees. The ERB program offered eligible employees who voluntarily decided to terminate employment an enhanced pension benefit and increased eligibility for postretirement medical, dental and life insurance benefits. The AT&T Plan recognized \$82,746 during the year ended December 31, 2011, and \$374,992 during the year ended December 31, 2010 in pension benefit lump sum payments under this program.

6. Tax Status

The AT&T Plan has received a determination letter from the Internal Revenue Service (IRS), dated November 4, 1996 stating that the AT&T Plan is qualified under Section 401(a) of the Internal Revenue Code (IRC) and, therefore, that the related trusts are exempt from taxation. Subsequent to this determination by the IRS, this plan was amended and restated. Once qualified, the AT&T Plan is required to operate in conformity with the IRC to maintain its qualification. The plan administrator has indicated that it will take the necessary steps, if any to bring the AT&T Plan's operations into compliance with the IRC. The AT&T Plan and the PR Plan filed for a new determination letter on February 2, 2009, pursuant to the Internal Revenue Service Cycle C determination letter filing process, and those requests are pending.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

The PR Plan has also received a determination letter from the Commonwealth of Puerto Rico's Department of Treasury (Treasury) dated November 18, 2010 stating that the PR Plan is qualified under Section 1165(a) and 1165(e) of the Puerto Rico Internal Revenue Code of 1994 (PRIRC-94), and, therefore, that the related trust is exempt from taxation. The PRIRC-94 was replaced in January 31, 2011, by the Internal Revenue code for a New Puerto Rico (the Puerto Rico Code), and the retirement plan rules are now enacted as Puerto Rico Code Section 1081.01. Subsequent to this determination by the Treasury, this plan was amended. Once qualified, the PR Plan is required to operate in conformity with Puerto Rico Code to maintain its qualified status. The plan administrators believe that the PR Plan is being operated in compliance with the applicable requirements of the Puerto Rico Code and, therefore, believes that the PR Plan, as amended, is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Pension Plans. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS or Treasury. The plan administrator has analyzed the tax positions taken by the Pension Plans, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken. The Pension Plans have recognized no interest or penalties related to uncertain tax positions. The Pension Plans are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes the Pension Plans are no longer subject to income tax examinations for years prior to 2008.

7. Risks and Uncertainties

The Pension Plans invests in various securities. Investment securities are exposed to various risks such as interest rate, liquidity, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits. The Pension Plans' contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

8. Termination Priorities

Although it has not expressed any intention to do so, AT&T has the right under the Pension Plans to discontinue its contributions at any time and to terminate the Pension Plans subject to the provisions set forth by ERISA.

In the event that the Pension Plans are terminated, subject to conditions set forth by ERISA:

- a. the Pension Plans provide that the net assets available for plan benefits shall be allocated among the participants and beneficiaries of the Pension Plans in the order provided for by ERISA;
- b. to the extent unfunded vested benefits then exist, ERISA provides that such benefits are payable by the Pension Benefit Guaranty Corporation to participants, up to specified limitations, as described in ERISA; and
- c. to the extent that the net assets available for benefits exceed the amounts to be allocated as provided for by ERISA, the Pension Plans provide that such amounts will be used for any benefit purpose that does not contravene applicable law.

9. SBC Master Pension Trust

All assets of the Pension Plans are maintained in the MPT. The purpose of the MPT is the collective investment of the assets of participating plans sponsored by AT&T. The assets are allocated among the participating plans by assigning to each plan those transactions that can be specifically identified, and allocating among all plans the net investment income, gains and losses, and expenses of the MPT, in proportion to the market value of the assets

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

(dollars in thousands)

assigned to each plan. The assets of the MPT are managed at the direction of AT&T in its capacity as fiduciary for the participating plans and at the discretion of investment managers appointed pursuant to ERISA.

At December 31, 2011 and 2010, JPMorgan Chase Bank N.A. was the trustee for the MPT, and the following plans were participants:

	<u>2011</u>	<u>2010</u>
Allocation of Master Trust Investments		
AT&T Pension Benefit Plan	99.96%	99.96%
AT&T Puerto Rico Pension Benefit Plan	.04%	.04%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

Net Assets of the SBC Master Pension Trust

The net assets held under the MPT agreement as of December 31 are summarized below:

	2011	2010
Assets		
Non-interest bearing cash	\$ 526,707	\$ 433,489
Interest bearing investments	3,095,159	2,358,413
Pooled separate accounts	534,721	481,052
Common/collective trust funds	988,314	1,051,488
103-12 investments	1,630,218	1,968,243
U.S. Government and governmental agencies bonds and notes	5,949,686	4,964,625
U.S. Government and governmental agencies bonds and notes-loaned	2,175,518	2,237,254
Corporate and other bonds and notes	6,056,154	6,360,444
Corporate and other bonds and notes-loaned	680,264	831,535
Equities	13,060,021	15,069,996
Equities-loaned	1,254,655	2,505,195
Partnership/joint venture interests	7,504,145	6,465,600
Real estate	3,673,977	4,244,220
Registered investment companies	452,869	467,949
Purchased options	31	101
Collateral – securities lending*	4,176,969	5,644,162
Total investments	<u>51,232,701</u>	<u>54,650,277</u>
Receivable for securities sold	691,891	758,047
Receivable for investments sold short	286,137	123,872
Unrealized appreciation on foreign currency contracts	9,768	56,724
Variation margin receivable	-	2,772
Accrued income	132,602	135,254
Other receivables	7,209	13,293
Total assets	<u>52,887,015</u>	<u>56,173,728</u>
Liabilities		
Overdrafts	59,422	3,022
Payable securities lending	4,196,318	5,678,606
Payable for securities purchased	1,820,015	1,944,885
Investments sold short (proceeds of \$616,678 and \$360,022)	706,366	573,350
Written options payable (premiums of (\$215) and (\$745))	110	671
Unrealized depreciation on foreign currency contracts	9,836	56,685
Variation margin payable	3,592	-
Short sales payable	143,511	99,856
Accrued liabilities	47,832	35,266
Total liabilities	<u>6,987,002</u>	<u>8,392,341</u>
Net assets of the SBC Master Pension Trust	<u>\$ 45,900,013</u>	<u>\$ 47,781,387</u>

*includes noncash of \$1,745,890 and \$340,184 at December 31, 2011 and 2010.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010
(dollars in thousands)

The following is the net change in the fair value of net assets for the MPT:

	Year Ended December 31,	
	2011	2010
Additions		
Net appreciation (depreciation) in fair value of investments:		
Interest-bearing cash	\$ 41,067	\$ 22,015
Pooled separate accounts	29,950	24,967
Common/collective trust funds	54,229	60,809
103-12 investments	(33,817)	290,051
U.S. Government and governmental agencies bonds and notes	1,093,884	314,046
Corporate and other bonds and notes	63,552	504,140
Equities	(1,204,925)	1,991,127
Partnership/joint venture interests	608,557	860,921
Real estate	312,121	557,365
Registered investment companies	(912)	128,016
Foreign currency contracts	(10,349)	31,362
Option contracts	864	5,420
Future contracts	204,086	586,587
Securities lending collateral	15,094	22,325
Total net appreciation in fair value of investments	<u>1,173,401</u>	<u>5,399,151</u>
Investment income	1,163,030	1,087,353
Employer contributions	1,000,144	404
Assets received from MPTII	-	1
Transfer of assets resulting from Mandatory Portability Agreement	(1,629)	3,059
Total additions	<u>3,334,946</u>	<u>6,489,968</u>
Deductions		
Pension and death benefits	4,949,952	5,484,558
Trustee and investment management fees and administrative expenses	266,368	231,372
Total deductions	<u>5,216,320</u>	<u>5,715,930</u>
Net increase (decrease)	<u>(1,881,374)</u>	<u>774,038</u>
Net assets of the SBC Master Pension Trust:		
Beginning of year	<u>47,781,387</u>	<u>47,007,349</u>
End of year	<u>\$ 45,900,013</u>	<u>\$ 47,781,387</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010
(dollars in thousands)

The following table sets forth by level, within the fair value hierarchy, the MPT's assets at fair value as of December 31, 2011:

SBC Master Pension Trust Assets and Liabilities at Fair Value				
	Level 1	Level 2	Level 3	Total
Non-interest bearing cash	\$ 526,707	\$ -	\$ -	\$ 526,707
Interest bearing cash	1,029	519	-	1,548
Foreign currency contracts	-	9,768	-	9,768
Equity securities:				
Domestic equities:*				
Large cap	4,786,634	-	-	4,786,634
Small cap	3,587,289	5,247	11	3,592,547
International equities:*				
Developed markets	4,889,414	55,776	2,948	4,948,138
Emerging markets	982,656	6,650	845	990,151
Fixed income securities:				
Asset-backed securities	-	412,708	7,978	420,686
Mortgage-backed securities	-	3,170,036	-	3,170,036
Collateralized mortgage-backed securities	-	316,105	-	316,105
Collateralized mortgage obligations/REMICS	-	489,967	-	489,967
Other Corporate and other bonds and notes:*				
Core	9,746	2,758,906	2,808	2,771,460
Long duration	-	2,421,366	-	2,421,366
U.S. Government and governmental agencies	61,416	4,413,507	-	4,474,923
Municipal bonds	-	280,728	-	280,728
Convertible and preferred securities	105,338	207,096	620	313,054
Fixed income funds	-	-	417,919	417,919
Private equity funds	-	-	5,926,912	5,926,912
Real assets:				
Real assets	-	3,700	2,509,984	2,513,684
Real estate funds	-	-	2,733,334	2,733,334
Commingled funds:				
Interest bearing investments	-	3,092,334	-	3,092,334
Hedge funds	-	945,332	8,881	954,213
Equities	-	1,112,926	-	1,112,926
Fixed income	-	942,789	384,247	1,327,036
Securities lending collateral	1,295,400	2,878,752	2,817	4,176,969
Purchased options	31	-	-	31
Receivable for investments sold short	286,137	-	-	286,137
Assets at fair value	16,531,797	23,524,212	11,999,304	52,055,313
Overdrafts	59,422	-	-	59,422
Unrealized depreciation on foreign currency contracts	-	9,836	-	9,836
Investments sold short	563,630	142,736	-	706,366
Variation margin payable	3,592	-	-	3,592
Written options payable	110	-	-	110
Liabilities at fair value	626,754	152,572	-	779,326
Net assets and liabilities at fair value	\$ 15,905,043	\$ 23,371,640	\$ 11,999,304	\$ 51,275,987

*Level 1 securities consist of actively traded stocks, while Level 2 securities consist of pooled funds and bonds. Management believes that the portfolio is well-diversified with no significant concentrations of risk.

Certain investments within the MPT have been disaggregated based on their nature of risk and are included in various classes of investments in the table above.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

Additional Disclosures Related to MPT Assets Measured at NAV as of December 31, 2011:

Investment Class-Sub Class		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed income:	Open-end funds ⁵	\$ 918,968	\$ -	Monthly, Quarterly	5-30 days
	Closed-end funds ⁶	417,919	252,872	No redemption rights	NA
Real assets:	Open-end funds ²	558,232	-	Quarterly	45-90 days
	Closed-end funds ³	2,175,102	879,495	No redemption rights	NA
Private equity Commingled funds:	Closed-end funds ⁴	5,926,912	1,960,387	No redemption rights	NA
	Interest bearing investments ⁹	3,092,334	-	Daily	NA
	Hedge funds ¹	954,213	-	Monthly, Annually	3-90 days
	Fixed income ⁷	408,068	-	Daily, Monthly	3-5 days
	Equities ⁸	1,112,926	-	Daily, Monthly, Quarterly, Annually	1-30 days
Total		\$ 15,564,674	\$ 3,092,754		

(1) This class includes both directional and nondirectional hedge fund strategies. The fair values of these investments have been estimated using the net asset value per share reported by the fund managers. These investments can be redeemed provided the funds have sufficient liquidity; otherwise, unredeemed amounts are rolled forward to the next period. It is estimated that the redemption from one fund, which the MPT has elected to exit, will occur over the next 1 to 3 years.

(2) This class includes four real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset values reported by the fund managers. These are open-ended funds with no final termination dates. These investments can be redeemed quarterly provided the funds have sufficient liquidity; otherwise, unredeemed amounts are rolled forward to the next quarter. It is estimated that the redemption from the one fund from which the MPT has elected to exit will occur over the next 3 to 5 years.

(3) This class includes real estate and natural resource investment funds that invest in U.S. and international real assets. The fair values of the investments in this class have been estimated using the net asset value of the MPT's ownership in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 7 to 10 years. There are no current plans to sell any of these funds.

(4) This class includes private equity funds that invest in U.S. and international companies. The fair values of the investments in this class have been estimated using the net asset value of the MPT's ownership in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 7 to 10 years. There are no current plans to sell any of these funds.

(5) This class includes several fixed income funds that invest primarily in U.S. fixed income securities. The fair values of the investments in this class have been estimated using the net asset values reported by the fund managers. These are open-ended funds with no final termination dates. These investments can be redeemed on a monthly or quarterly basis. Redemptions are subject to available cash in the funds. These funds do not make regular distributions. Unless redeemed, assets are reinvested as the investments of the funds are liquidated or mature. There are no current plans to sell any of these funds.

(6) This class includes several fixed income funds or funds of funds that invest primarily in mezzanine debt securities or distressed debt securities or funds. These funds invest primarily in U.S. fixed income securities but may also invest in non-U.S. securities. The fair values of the investments in this class have been estimated using the net asset value of the MPT's ownership in partners' capital. These investments can never be redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 1 to 10 years. There are no current plans to sell any of these funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

- (7) This class includes fixed income commingled funds that invest primarily in publicly traded fixed income securities. These funds are either selected by AT&T, with AT&T determining the timing and amount of contributions/redemptions, or are approved by AT&T for a manager to utilize on a discretionary tactical basis as part of a broad fixed income mandate. These are open-ended funds with no final terminations dates.
- (8) This class includes equity commingled funds that invests primarily in publicly traded U.S. and non-U.S. equity securities. The fair values of the investments in this class have been estimated using the net asset value per share reported by the funds' managers. These funds are selected by AT&T, and AT&T determines the timing and amount of contributions/redemptions. These are open ended funds with no final termination dates.
- (9) This class includes funds that invest primarily in publicly traded short-term fixed income securities. The fair values of the investments in this class have been estimated using the net asset value per share reported by the fund managers. These funds are selected by AT&T, and AT&T determines the timing and amount of contributions/redemptions. These are open ended funds with no final termination dates.

The table below sets forth a summary of changes in the fair value of the MPT's Level 3 investment assets for the year ended December 31, 2011.

	Equities- Domestic	Fixed Income Funds	Hedge Funds	Private Equity Funds	Real Assets	Total
Balance, beginning of year	\$ 167	\$ 399,741	\$ 49,855	\$ 5,824,317	\$ 4,685,445	\$10,959,525
Realized gains (losses)	(1,416)	17,494	—	164,983	1,467	182,528
Unrealized gains (losses)	809	(14,460)	(14)	230,160	574,350	790,845
Transfers in	2,807	392,957	—	1,245	—	397,009
Transfers out	—	—	—	—	—	—
Purchases	1,445	95,292	190	848,069	865,635	1,810,631
Sales	(8)	(74,635)	(41,150)	(1,141,862)	(883,579)	(2,141,234)
Balance, end of year	\$ 3,804	\$ 816,389	\$ 8,881	\$ 5,926,912	\$ 5,243,318	\$11,999,304

The realized gains (losses) and unrealized gains (losses) on Level 3 investments are reflected in the net appreciation/depreciation in fair value of the MPT's investments and are included in each plan's Net Investment gain (loss) from Plan's Interest in SBC Master Pension Trust.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

The following table sets forth by level, within the fair value hierarchy, the MPT's assets at fair value as of December 31, 2010.

SBC Master Pension Trust Assets and Liabilities at Fair Value				
	Level 1	Level 2	Level 3	Total
Non-interest bearing cash	\$ 433,489	\$ 37	\$ -	\$ 433,526
Interest bearing cash	-	21,933	-	21,933
Foreign currency contracts	-	56,724	-	56,724
Equity securities:				
Domestic equities:*				
Large cap	6,697,731	-	-	6,697,731
Small cap	4,785,883	7,808	100	4,793,791
International equities:*				
Developed markets	5,398,864	1,888	20	5,400,772
Emerging markets	708,229	31,369	47	739,645
Fixed income securities:				
Asset-backed securities	-	709,049	3,493	712,542
Mortgage-backed securities	-	2,726,780	-	2,726,780
Collateralized mortgage-backed securities	-	413,787	-	413,787
Collateralized mortgage obligations/REMICS	-	657,498	-	657,498
Other Corporate and other bonds and notes:*				
Core	-	2,876,890	10,612	2,887,502
Long Duration	-	2,168,083	180	2,168,263
U.S. Government and governmental agencies	269,698	3,841,613	-	4,111,311
Municipal bonds	-	229,752	-	229,752
Convertible and preferred securities	63,124	228,302	2	291,428
Fixed income funds	-	-	385,454	385,454
Registered investment companies	1,387	-	-	1,387
Private equity funds	-	557	5,824,317	5,824,874
Real assets:				
Real assets	-	-	2,249,178	2,249,178
Real estate funds	-	-	2,436,267	2,436,267
Commingled funds:				
Interest bearing investments	2,002	2,351,009	-	2,353,011
Hedge funds	-	831,337	49,855	881,192
Equities	-	1,769,199	-	1,769,199
Fixed income	-	1,252,680	-	1,252,680
Securities lending collateral	2,740,305	2,903,857	-	5,644,162
Purchased options	101	-	-	101
Variation margin receivable	2,772	-	-	2,772
Receivable for investments sold short	123,872	-	-	123,872
Assets at fair value	<u>21,227,457</u>	<u>23,080,152</u>	<u>10,959,525</u>	<u>55,267,134</u>
Overdrafts	3,022	-	-	3,022
Unrealized depreciation on foreign currency contracts	56,685	-	-	56,685
Investments sold short	573,350	-	-	573,350
Written options payable	671	-	-	671
Liabilities at fair value	<u>633,728</u>	<u>-</u>	<u>-</u>	<u>633,728</u>
Net assets and liabilities at fair value	<u>\$ 20,593,729</u>	<u>\$ 23,080,152</u>	<u>\$ 10,959,525</u>	<u>\$ 54,633,406</u>

*Level 1 securities consist of actively traded stocks, while Level 2 securities consist of pooled funds and bonds. Management believes that the portfolio is well-diversified with no significant concentrations of risk.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

Additional Disclosures Related to MPT Assets Measured at NAV as of December 31, 2010:

Investment Class-Sub Class		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed income:	Open-end funds ⁵	\$ 827,517	\$ -	Monthly, Quarterly	5-30 days
	Closed-end funds ⁶	385,454	-	No redemption rights	NA
Real assets:	Open-end funds ²	471,783	-	Quarterly	45-90 days
	Closed-end funds ³	1,964,484	767,379	No redemption rights	NA
Private equity	Closed-end funds ⁴	5,824,874	2,763,281	No redemption rights	NA
Commingled funds:	Interest bearing investments ⁹	2,353,011	-	Daily	NA
	Hedge funds ¹	881,192	-	Monthly, Annually	3-90 days
	Fixed income ⁷	425,163	119,381	Daily, Monthly	3-5 days
	Equities ⁸	1,769,199	-	Daily, Monthly, Quarterly, Annually	1-30 days
Total		\$ 14,902,677	\$ 3,650,041		

(1) This class includes both directional and nondirectional hedge fund strategies. The fair values of these investments have been estimated using the net asset value per share reported by the fund managers. These investments can be redeemed provided the funds have sufficient liquidity; otherwise, unredeemed amounts are rolled forward to the next period. It is estimated that the redemption from one fund, which the MPT has elected to exit, will occur over the next 1 to 3 years.

(2) This class includes four real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset values reported by the fund managers. These are open-ended funds with no final termination dates. These investments can be redeemed quarterly provided the funds have sufficient liquidity; otherwise, unredeemed amounts are rolled forward to the next quarter. It is estimated that the redemption from the one fund from which the MPT has elected to exit will occur over the next 3 to 5 years.

(3) This class includes real estate and natural resource investment funds that invest in U.S. and international real assets. The fair values of the investments in this class have been estimated using the net asset value of the MPT's ownership in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 7 to 10 years. There are no current plans to sell any of these funds.

(4) This class includes private equity funds that invest in U.S. and international companies. The fair values of the investments in this class have been estimated using the net asset value of the MPT's ownership in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 7 to 10 years. There are no current plans to sell any of these funds.

(5) This class includes several fixed income funds that invest primarily in U.S. fixed income securities. The fair values of the investments in this class have been estimated using the net asset values reported by the fund managers. These are open-ended funds with no final termination dates. These investments can be redeemed on a monthly or quarterly basis. Redemptions are subject to available cash in the funds. These funds do not make regular distributions. Unless redeemed, assets are reinvested as the investments of the funds are liquidated or mature. There are no current plans to sell any of these funds.

(6) This class includes several fixed income funds or funds of funds that invest primarily in mezzanine debt securities or distressed debt securities or funds. These funds invest primarily in U.S. fixed income securities but may also invest in non-U.S. securities. The fair values of the investments in this class have been estimated using the net asset value of the MPT's ownership in partners' capital. These investments can never be redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 1 to 10 years. There are no current plans to sell any of these funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

- (7) This class includes fixed income commingled funds that invest primarily in publicly traded fixed income securities. These funds are either selected by AT&T, with AT&T determining the timing and amount of contributions/redemptions, or are approved by AT&T for a manager to utilize on a discretionary tactical basis as part of a broad fixed income mandate. These are open-ended funds with no final terminations dates.
- (8) This class includes equity commingled funds that invests primarily in publicly traded U.S. and non-U.S. equity securities. The fair values of the investments in this class have been estimated using the net asset value per share reported by the funds' managers. These funds are selected by AT&T, and AT&T determines the timing and amount of contributions/redemptions. These are open ended funds with no final termination dates.
- (9) This class includes funds that invest primarily in publicly traded short-term fixed income securities. The fair values of the investments in this class have been estimated using the net asset value per share reported by the fund managers. These funds are selected by AT&T, and AT&T determines the timing and amount of contributions/redemptions. These are open ended funds with no final termination dates.

The table below sets forth a summary of changes in the fair value of the MPT's Level 3 investment assets for the year ended December 31, 2010.

	Equities- Domestic	Fixed Income Funds	Hedge Funds	Private Equity Funds	Real Assets	Total
Balance, beginning of year	\$ 1,061	\$ 355,293	\$ 102,411	\$ 4,937,913	\$ 3,471,208	\$ 8,867,886
Realized gains (losses)	(2,256)	40,411	-	434,433	135,361	607,949
Unrealized gains (losses)	(898)	7,151	(52,556)	925,043	1,169,048	2,047,788
Purchases, sales, issuances and settlements (net)	2,260	(3,114)	-	(473,072)	(90,172)	(564,098)
Balance, end of year	\$ 167	\$ 399,741	\$ 49,855	\$ 5,824,317	\$ 4,685,445	\$10,959,525

The realized gains (losses) and unrealized gains (losses) on Level 3 investments are reflected in the net appreciation/depreciation in fair value of the MPT's investments and are included in each plan's Net Investment gain (loss) from Plan's Interest in SBC Master Pension Trust.

Derivatives

In the normal course of operations, MPT assets and liabilities may include derivative financial instruments (futures, options, and foreign currency contracts). These instruments involve, in varying degrees, elements of credit and market volatility risks in excess of more traditional investment holdings, such as equity and debt instruments. The contract or notional amounts disclosed provide a measure of the MPT involvement in such instruments but are not indicative of potential loss. The intent is to use derivative financial instruments as an economic hedge to manage market volatility and foreign currency exchange rate risk associated with the MPT's investment assets. The MPT's fiduciaries do not anticipate any material adverse effect on the MPT's financial position resulting from its involvement in these instruments.

The following table presents the effect of gains and losses with respect to these derivative instruments, by type of derivative. The gains and losses are located on the Statement of Changes in Net Assets Available for Benefits as Net Investment gain (loss) from Plan's interest in SBC Master Pension Trust.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**DECEMBER 31, 2011 AND 2010***(dollars in thousands)*

	Year Ended		Year Ended	
	December 31, 2011		December 31, 2010	
Futures contracts	\$	204,086	\$	586,587
Option contracts	\$	864	\$	5,420
Forward foreign currency exchange rate contracts	\$	(10,349)	\$	31,362

Futures Contracts

On behalf of the Pension Plans, investment managers for the MPT enter into various futures contracts to economically hedge investments in domestic equity, international equity and fixed income securities. The futures contracts held in the MPT are used primarily for two reasons: 1) a cost-effective way to manage the overall asset allocation of the MPT, and 2) a cost-effective way to implement and manage duration and yield curve strategy in the fixed income portfolio. The investments in the MPT are subject to equity price risk and interest rate risk, in the normal course of pursuing investment objectives.

Futures contracts, which are considered derivatives under ASC Topic 815, *Derivative and Hedging*, are agreements between two parties to buy or sell a security at a set price on a future date and are standardized and exchange-traded. Upon entering into such a contract on behalf of the Pension Plans, the investment managers are required to pledge to the broker an amount of cash or securities equal to the minimum "initial margin" requirements of the exchange on which the contract is traded. Pursuant to the contract, the investment managers agree to receive from or pay to the broker an amount of cash or securities equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as variation margin and are recorded on a daily basis by the trustee as a realized gain or loss equal to the difference in the value of the contract between daily closing prices. Upon entering into such contracts, the MPT bears the risk of interest or exchange rates or securities prices moving unexpectedly, in which case the MPT may not achieve the anticipated benefits of the futures contracts and may realize a loss. With futures, there is minimal counterparty credit risk to the MPT because futures are exchange-traded and the exchange's clearinghouse, as counterparty to all exchange-traded futures, guarantees the futures against default.

The fair value of the open futures contracts disclosed below, includes cumulative appreciation/ (depreciation) of futures contracts, but only the current day's variation margin payable is reported separately in the net assets of the MPT and are included in the statements of net assets available for benefits to the extent of each plan's ownership in the MPT. Similarly, the gains and losses on open futures contracts are reflected in the net change in fair value of net assets for the MPT and are included within each plan's net investment gain (loss) from Plan's interest in SBC Master Pension Trust.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

At December 31, 2011, open futures contracts held in the MPT were as follows:

Risk Type	Type of Contract	Number of	Expiration	Cost/Notional	Fair Value
		Contracts		Value	
		Buy/(Sell)			
Bond Index	US ULTRA Bonds CBT Future	(563)	Mar-12	\$ (89,939)	\$ (246)
Bond Index	US ULTRA Bonds CBT Future	2,249	Mar-12	355,456	4,806
Bond Index	US Long Bonds CBT Future	(1,305)	Mar-12	(187,073)	(1,907)
Bond Index	U.S. 10-Year Note Future	1,785	Mar-12	231,721	2,337
Bond Index	U.S. 2-Year Note Future	296	Mar-12	65,261	21
Bond Index	US Long Bonds CBT Future	1,820	Mar-12	263,241	318
Bond Index	U.S. 5-Year Note Future	1,264	Mar-12	155,268	530
Bond Index	U.S. 10 T Notes Future	(1,135)	Mar-12	(147,433)	(1,394)
Bond Index	2-Year Notes CBT Future	(1,679)	Mar-12	(370,108)	(190)
Bond Index	5-Year Notes CBT Future	(6,933)	Mar-12	(850,107)	(4,439)
Equity Index	Russell 1000 Mini Future	1,606	Mar-12	110,992	(33)
Equity Index	Russell 2000 Mini Future	2,914	Mar-12	213,128	2,158
Equity Index	SPI 200 Futures	279	Mar-12	29,279	(947)
Equity Index	S&P/TSX 60 IX Future	294	Mar-12	38,625	309
Equity Index	Amsterdam IDX Future	119	Jan-12	9,355	397
Equity Index	CAC40 10 EURO Future	771	Jan-12	31,281	727
Equity Index	FTSE 100 IDX Future	847	Mar-12	71,839	1,382
Equity Index	DAX Index Future	146	Mar-12	27,892	286
Equity Index	EURO STOXX 50 Future	1,176	Mar-12	35,287	437
Equity Index	FTSE/MIB IDX Future	83	Mar-12	8,176	28
Equity Index	IBEX 35 INDX Future	100	Jan-12	10,887	199
Equity Index	Hang Seng IDX Future	96	Jan-12	11,453	(63)
Equity Index	S&P 400 EMINI Future	2,327	Mar-12	205,233	(1,085)
Equity Index	S&P 500 Future	3,390	Mar-12	1,054,847	6,731
Equity Index	S&P 500 EMINI Future	19,812	Mar-12	1,232,800	8,025
Equity Index	TOPIX INDX Future	757	Mar-12	71,057	(301)
Equity Index	OMXS30 Index Future	683	Jan-12	9,543	264
Equity Index	SGX CNX Nifty Future	222	Jan-12	2,121	(67)
Equity Index	MSCI TAIWAN Future	85	Jan-12	2,163	(8)
Interest Rate	90 Day Eurodollar Future	214	Mar-12	53,121	(22)
Interest Rate	90 Day Eurodollar Future	142	Dec-13	35,156	44
Interest Rate	90 Day Eurodollar Future	171	Jun-12	42,504	(56)
Interest Rate	90 Day Eurodollar Future	996	Jun-13	246,031	1,064
Interest Rate	90 Day Eurodollar Future	65	Jun-14	16,070	6
Interest Rate	90 Day Eurodollar Future	747	Mar-13	184,990	360
Interest Rate	90 Day Eurodollar Future	284	Mar-14	69,869	471
Interest Rate	90 Day Eurodollar Future	329	Sep-13	81,148	452
Interest Rate	90 Day Eurodollar Future	(20)	Dec-12	(4,967)	4
Interest Rate	90 Day Eurodollar Future	(12)	Dec-13	(2,970)	(5)
Interest Rate	90 Day Eurodollar Future	(27)	Jun-12	(6,707)	5
Interest Rate	90 Day Eurodollar Future	(20)	Jun-13	(4,962)	1
Interest Rate	90 Day Eurodollar Future	(12)	Jun-14	(2,959)	(10)
Interest Rate	90 Day Eurodollar Future	(27)	Mar-12	(6,709)	3
Interest Rate	90 Day Eurodollar Future	(20)	Mar-13	(4,966)	3
Interest Rate	90 Day Eurodollar Future	(12)	Mar-14	(2,965)	(8)
Interest Rate	90 Day Eurodollar Future	(27)	Sep-12	(6,706)	6
Interest Rate	90 Day Eurodollar Future	(20)	Sep-13	(4,958)	(3)
Interest Rate	90 Day Eurodollar Future	(12)	Sep-14	(2,952)	(11)
	Total			\$ 3,279,313	\$ 20,579

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

At December 31, 2010, open futures contracts held in the MPT were as follows:

Risk Type	Type of Contract	Number of		Expiration	Cost/Notional	
		Buy/(Sell)	Contracts		Value	Fair Value
Bond Index	AUST 10 YR	72		Mar-11	\$ 7,387	\$ 45
Bond Index	US ULTRA Bonds CBT Future	2,337		Mar-11	303,230	(6,212)
Bond Index	US Long Bonds CBT Future	2,477		Mar-11	311,401	(8,897)
Bond Index	U.S. 10-Year Note Future	6,053		Mar-11	743,794	(14,786)
Bond Index	U.S. 2-Year Note Future	2,917		Mar-11	639,191	(641)
Bond Index	US Long Bonds CBT Future	(1,589)		Mar-11	(199,859)	5,802
Bond Index	U.S. 5-Year Note Future	1,790		Mar-11	213,859	(3,143)
Bond Index	U.S. 10 T Notes Future	(1,074)		Mar-11	(133,801)	4,451
Bond Index	2-Year Notes CBT Future	(452)		Mar-11	(99,011)	65
Bond Index	5-Year Notes CBT Future	(8,464)		Mar-11	(1,011,511)	15,140
Equity Index	Russell 1000 Mini Future	940		Mar-11	63,849	1,434
Equity Index	Russell 2000 Mini Future	1,646		Mar-11	126,450	2,316
Equity Index	SPI 200 Futures	(195)		Mar-11	(23,362)	205
Equity Index	S&P/TSX 60 IX Future	(202)		Mar-11	(30,493)	(376)
Equity Index	Amsterdam IDX Future	(87)		Jan-11	(8,185)	(52)
Equity Index	CAC40 10 EURO Future	(518)		Jan-11	(26,909)	565
Equity Index	FTSE 100 IDX Future	(618)		Mar-11	(56,952)	(340)
Equity Index	DAX Index Future	(88)		Mar-11	(20,692)	332
Equity Index	EURO STOXX 50 Future	(766)		Mar-11	(29,129)	556
Equity Index	FTSE/MIB IDX Future	(56)		Mar-11	(7,709)	152
Equity Index	IBEX 35 INDX Future	(69)		Jan-11	(9,194)	168
Equity Index	Hang Seng IDX Future	(66)		Jan-11	(9,628)	(136)
Equity Index	S&P 400 EMINI Future	1,314		Mar-11	116,966	1,990
Equity Index	S&P 500 Future	3,777		Mar-11	1,154,619	28,528
Equity Index	S&P 500 EMINI Future	4,689		Mar-11	287,200	6,566
Equity Index	TOPIX INDX Future	(458)		Mar-11	(48,538)	(894)
Equity Index	OMXS30 Index Future	(497)		Jan-11	(8,398)	(33)
Interest Rate	90 Day Sterling Future	18		Dec-11	3,523	(8)
Interest Rate	90 Day Sterling Future	21		Jun-12	4,101	(18)
Interest Rate	90 Day Sterling Future	19		Mar-12	3,715	(12)
Interest Rate	90 Day Sterling Future	20		Sep-12	3,899	(22)
Interest Rate	ERFI P @98.75	160		Jan-11	14	(12)
Interest Rate	90 Day Eurodollar Future	254		Dec-11	63,058	(21)
Interest Rate	90 Day Eurodollar Future	116		Dec-12	28,712	(230)
Interest Rate	90 Day Eurodollar Future	1,471		Jun-11	365,685	447
Interest Rate	90 Day Eurodollar Future	324		Jun-12	80,234	(223)
Interest Rate	90 Day Eurodollar Future	12		Jun-13	2,957	(27)
Interest Rate	90 Day Eurodollar Future	643		Mar-11	160,090	73
Interest Rate	90 Day Eurodollar Future	364		Mar-12	90,274	(138)
Interest Rate	90 Day Eurodollar Future	78		Mar-13	19,275	(178)
Interest Rate	90 Day Eurodollar Future	214		Sep-11	53,106	97
Interest Rate	90 Day Eurodollar Future	297		Sep-12	73,603	(463)
Interest Rate	90 Day Eurodollar Future	45		Sep-13	11,078	(123)
Interest Rate	90 Day Eurodollar Future	(440)		Mar-12	(108,794)	(161)
	Total				\$ 3,099,105	\$ 31,786

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

Option Contracts

The primary risk managed by the Pension Plans using option contracts is the price risk associated with investments. On behalf of the Pension Plans, investment managers for the MPT have purchased and written various option contracts, which are agreements between two parties giving the owner, under a purchased option, the right, but not the obligation, to buy or sell a specified item at a fixed price (exercise or strike) during a specified period, and under a written option the obligation to sell or buy a specified item at a fixed price. These option contracts are intended to economically hedge the MPT's investments in foreign and domestic securities. When the investment manager buys or writes an option contract, a nonrefundable fee (the premium) is paid or received by the MPT and is recorded as an asset or liability and is subsequently adjusted to the current market value of the option purchased or written. The premiums paid or received from buying or writing options are recorded as realized gains or losses when the options expire. The difference between the premium and the amount paid or received on effecting a closing purchase or sale transaction is also treated as a realized gain or loss. If an option is exercised, the premium paid or received is recorded as a realized gain or loss if sold or as an adjustment to the cost of the underlying security if acquired upon exercise.

The fair value of the written and purchased option contracts is disclosed below, and is separately listed in the net assets of the MPT and is included in the statements of net assets available for benefits to the extent of each plan's ownership in the MPT. Similarly, the gains and losses on written and purchased option contracts are reflected in the net change in fair value of net assets for the MPT and are included within each plan's net investment gain (loss) from Plan's interest in SBC Master Pension Trust.

As of December 31, 2011 the total number of written options held by the MPT was:

Risk Type	Type of Contract	Number of Contracts	Cost(Premium paid)	Notional Value	Fair Value
Interest Rate	Eurodollar Options	(289)	\$ (100)	\$ 70,793	\$ (23)
Interest Rate	U.S. Treasury Notes Options	(243)	(115)	(32,368)	(87)
	Total	(532)	\$ (215)	\$ 38,425	\$ (110)

As of December 31, 2010, the total number of written options held by the MPT was:

Risk Type	Type of Contract	Number of Contracts	Cost(Premium paid)	Notional Value	Fair Value
Interest Rate	Eurodollar Options	(314)	\$ (166)	\$ -	\$ (208)
Interest Rate	U.S. Treasury Notes Options	(926)	(551)	22,892	(442)
Interest Rate	S&P 500 Future	(4)	(9)	(43)	(6)
Inflation Floors	Inflation Floors	(1,500,000)	(19)	3,269	(15)
	Total	(1,501,244)	\$ (745)	\$ 26,118	\$ (671)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

(dollars in thousands)

As of December 31, 2011, the total number of purchased options held by the MPT was:

Risk Type	Type of Contract	Number of Contracts	Cost(Premium received)	Notional Value	Fair Value
Currency	Foreign Exchange Option	55,555,000	\$ 405	\$ 1,351,922	\$ -
Interest Rate	Treasury note Option	514	243	(64,986)	20
Interest Rate	Eurodollar Option	196	40	(48,020)	11
	Total	55,555,710	\$ 688	\$ 1,238,916	\$ 31

As of December 31, 2010, the total number of purchased options held by the MPT was:

Risk Type	Type of Contract	Number of Contracts	Cost(Premium received)	Notional Value	Fair Value
Currency	Japanese Option	7,010,000	\$ 178	\$ (630,900)	\$ 101
Currency	Eurodollar Option	2,565,000	52	3,437	-
	Total	9,575,000	\$ 230	\$ (627,463)	\$ 101

Foreign Currency Contracts

The primary risk managed by the Pension Plans using foreign currency forward contracts is the foreign currency exchange rate risk associated with the Pension Plans' investments denominated in foreign currencies. On behalf of the Pension Plans, investment managers for the MPT entered into forward foreign currency contracts, which are agreements to exchange foreign currencies at a specified future date at a specified rate, the terms of which are not standardized on an exchange. These contracts are intended to minimize the impact of currency fluctuations on the performance of investments denominated in foreign currencies. All of the MPT's contracts address the currency risk of the U.S. dollar versus foreign currencies. Risk arises both from the possible inability of the counterparties to meet the terms of the contracts (credit risk) and from the movements in foreign currency exchange rates (market risk). Forward contracts are entered into only with major banks to minimize counterparty default risk. The contracts are recorded at fair value on the date the contract is entered into, which is typically zero.

The fair value presented in the table below is included in the net assets of the MPT as unrealized appreciation on foreign currency contracts (asset) for 2011, interest bearing cash (asset) for 2010 and unrealized depreciation on foreign currency contracts (liability). The gains and losses on foreign currency contracts are reflected in the net change in fair value of net assets for the MPT and are included within each plan's net investment gain (loss) from Plan's interest in SBC Master Pension Trust.

At December 31, 2011 and 2010, the foreign currency contracts held by the MPT were:

	Notional Value		Fair Value	
	2011	2010	2011	2010
Derivative assets	\$ 1,098,529	\$ 1,369,591	\$ 9,768	\$ 56,724
Derivative liabilities	\$ (1,098,529)	\$ (1,369,591)	\$ (9,836)	\$ (56,685)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010
(dollars in thousands)

Securities Lending

During 2011 and 2010, the MPT was authorized to engage in the lending of certain MPT assets. Securities lending is an investment management enhancement that utilizes the existing securities (domestic and international equities and fixed income investments) of the MPT to earn additional income. Securities lending involves the loaning of securities to a selected group of approved banks and broker-dealers. In return for the loaned securities, the trustee, prior to or simultaneous with delivery of the loaned securities to the borrower, receives collateral in the form of cash or U.S. Government securities as a safeguard against possible default of any borrower on the return of the loan. Each loan is initially collateralized, in the case of: (a) loaned securities denominated in U.S. dollars or whose primary trading market is located in the U.S. or sovereign debt issued by foreign governments to the extent of 102% of the market value of the loaned securities, or (b) loaned securities not denominated in U.S. dollars or whose primary trading market is not located in the U.S. to the extent of 105% of the market value of the loaned securities. The collateral is marked to market on a daily basis. Securities on loan and collateral held under this program at December 31, 2011 and 2010 are reported on the accompanying MPT statements of net assets available for benefits at December 31, 2011 and 2010. The fair value of securities on loan was \$4,110,437 and \$5,573,984 as of December 31, 2011 and 2010, and the value of collateral held was \$4,176,969 and \$5,644,162 at December 31, 2011 and 2010. The reported collateral includes noncash holdings of \$1,745,890 and \$340,184 at December 31, 2011 and 2010. The amount of income earned for the years ended December 31, 2011 and 2010 was \$23,276 and \$26,393.

Related-Party Transactions

At December 31, 2011 and 2010, the MPT held \$41,152 and \$70,109 in AT&T common stock and \$27,182 and \$26,566 of bonds guaranteed by AT&T. These investments qualify as party-in-interest transactions, which are exempt from the prohibited transactions rules of ERISA.

10. Subsequent Events

In June 2012, AT&T was notified of transactions occurring within an investment account in which the AT&T Master Pension Trust and the AT&T Umbrella Benefit Plan No. 1 are the sole investors. The size of the account is approximately \$500,000. The nature of the transactions involves a possible impermissible payment of fees in the amount of approximately \$1,500 to an entity related to the investment manager during 2006 and 2007, which was subsequently returned to the account, with interest. AT&T is currently working with the investment manager and conducting a full review of the situation. AT&T will fully comply with the reporting requirements of ERISA upon final determination. This potential breach does not affect the benefits provided to or accounts of participants.

In June 2012, as a result of the sale of AT&T's Advertising Solutions and Interactive businesses, approximately \$151,000 of retirement obligations related to active bargained participants were transferred from the AT&T Plan to a successor plan sponsored by the acquirer. As provided in the purchase agreement, upon the final valuation of the obligations, the Master Trust will transfer assets covering 100% of the obligation.

Management evaluated subsequent events for the Pension Plans through September 14, 2012, the date the financial statements were available to be issued.