**If you originally acquired your DTV stock from the DIRECTV – Liberty Entertainment Merger in 2009, there are 2 steps below to calculate your cost basis in your AT&T shares as well as other stock received as part of prior corporate actions.**
NOTE: some of the stock received in these corporate actions – such as LSTZA – may have undergone additional corporate actions. Please check their investor websites for more details.

**Step 1 The Liberty Entertainment – DIRECTV Merger (see next page)**

## 2009 Cost Basis

## Share and Cost Basis Allocation Information for U.S. Taxpayers Resulting from the DIRECTV – Liberty Entertainment Merger

The following is provided to assist you in determining your holding in DIRECTV Class A common stock as well as Liberty Starz Group class A shares after the completion of the merger as well as determining your tax basis in your current DIRECTV Class A common stock.

**Tax laws may have changed since the posting of this information. Please consult a professional tax advisor to help you with your specific situation.**

### <u>What you received:</u>

**If you owned shares of DIRECTV common stock prior to 11/19/2009:** Each share of DIRECTV common stock (NASDAQ: DTV) you owned was exchanged for 1 share of new DIRECTV Class A common stock (ticker symbol remains DTV). There were no fractional shares.

**Example:** If you owned 75 shares of DIRECTV common stock on 11/19/2009, you exchanged those shares for 75 shares of DIRECTV Class A common stock.

**If you owned shares of Liberty Entertainment Series A common stock (NASDAQ: LMDIA) prior to 11/19/2009:** Each share of LMDIA was exchanged for 0.9 shares of Liberty Entertainment, Inc. Series A common stock (LEI) AND .1 share of Liberty Starz Group Class A common stock (NASDAQ:LSTZA). Fractional shares were paid in cash. In turn, each share of LEI was then immediately exchanged for 1.1113 shares of DIRECTV Class A common stock. Fractional shares were paid in cash.

**Example:** If you owned 75 shares of LMDIA on 11/19/2009:

1) You exchanged those shares for 67.5 shares of LEI (75 multiplied by 0.9 = 67.5).
   a. As fractional shares were paid in cash, you actually received 67 shares of LEI and 0.5 shares were paid out in cash at the closing market price of LMDIA on November 19, 2009 of $35.645 per share. IN this example, you would receive $17.82 (5 multiplied by $35.645 = $17.82).

2) The 67 shares of LEI were then immediately exchanged for 74.457 shares of DTV Class A common stock (67 multiplied by 1.1113 = 74.457).
   a. Again, as fractional shares were paid in cash, you actually received 74 shares of DTV Class A common stock and 0.457 shares was paid out in cash at $32.41 per share or $14.81 in this example (0.457 multiplied by $32.41 = $14.81).

3) Upon the exchange of your 75 LMDIA shares, you would have also received 7.5 shares of LSTZA (0.1 multiplied by 75 = 7.5)
   a. As fractional shares were paid in cash, you actually received 7 shares of LSTZA and 0.5 shares was paid out in cash at $35.64 per share or $17.82 in this example (0.5 multiplied by $35.645 = $17.82).

## Cost Basis Adjustments

**If you owned shares of DIRECTV common stock prior to 11/19/2009:** The cost basis in your DTV common stock transfers directly to your DTV Class A common stock and remains the same.

**Example:** If you owned 75 shares of DTV prior to 11/19/2009 with a tax basis, for example, of $20 per share, you now own 75 shares of DTV Class A common stock with a tax basis of $20 per share.

**If you owned shares of LMDIA common stock prior to 11/19/2009**:

Federal tax law requires that the tax basis in your LMDIA be allocated between your DTV shares and your LSTZA shares that you received in the merger. This allocation should be based on the relative fair market value immediately after the merger of your new DTV Class A shares and your LSTZA shares.

Federal tax law does not specifically identify how one determines the fair market value of the new DTV Class A shares and your LSTZA shares that you received. There are arguably three alternative methods to determine the fair market value:

(i) the average of the high and low trading prices of such stocks on November 20$^{th}$ (the day on which both stocks first traded); (ii) the opening trading price on November 20$^{th}$; and (iii) the closing trading price on November. In certain IRS private rulings, the IRS has recognized the use of the average of the high and low trading prices as an acceptable measure of fair market value. There may also be additional alternatives that may be acceptable to the IRS as well.

The example below uses the average of the high and low prices on November 20 shown in the following table to determine your cost basis – other methodologies may prove more optimal for you depending on your circumstances. **Ask a tax expert for assistance.**

**November 20, 2009 Trading Activity**

| | High | Low | Average |
|---|---|---|---|
| DTV Class A | 32.07 | 30.88 | 31.475 |
| LSTZA | 50.50 | 48.00 | 49.250 |

These average amounts are then multiplied by the conversion ratio that represents the total number of shares of DTV Class A common stock and LSTZA received in the exchange for each share of LMDIA and without regard to the cash-in-lieu calculation, which is 0.1 shares of LSTZA and 1.00017 (0.9 multiplied by the exchange ratio of 1.11113) shares of DTV Class A common stock. The product of these calculations is then used as the base to which the cost basis in the LIMDIA shares is allocated to the DTV and LSTZA shares received.

That calculation is shown in the table below.

**Basis Allocation for LMDIA Common:**

| | Average | x | Share Ratio | = | Total | Percent of cost basis allocated |
|---|---|---|---|---|---|---|
| DTV Class A | 31.475 | | 1.00017 | | 31.4804 | 86.4718% |
| LSTZA | 49.250 | | 0.1 | | 4.9250 | 13.5282% |

In addition, if you received cash in lieu payments for fractional shares, you will have to then allocate some cost basis to those cash in lieu payments (see the examples below).

**Example:** If on 11/19/2009 you owned 75 shares of LMDIA with a tax basis of, for example, $25 per share or total tax basis of $1,875:

Step 1) You exchanged those 75 shares for 67.5 shares of LEI.

a. 86.4718% of the original tax basis is allocated to these share or $1,621.35.

b. To allocate the cost basis to the fractional shares paid in cash, divide the fraction shares by the total shares and multiply the resulting percentage by the dollars you calculated in Step 1a.

   In this example, 0.5 divided by 67.5 equals .00740; .00740 multiplied by $1,621.35 equals $12.00. This is the tax basis of your cash in lieu. The remaining tax basis in this example is $1,609.35.

Step 2) The 67 shares of LEI were then immediately exchanged for 74.457 shares of DTV Class A common stock (67 multiplied by 1.1113 = 74.457). The total tax basis for these 74.457 shares is $1,609.35 as calculated in Step 1 above.

a. To allocate the cost basis to the fractional shares paid in cash, divide the fractional share by the total shares and multiply the resulting percentage by the tax basis amount you calculated in Step 1b.

   In this example, 0.457 divided by 74.457 equals 0.00614. Multiply .00614 by $1,609.35 which equals $9.88. This is the tax basis allocated to the cash in lieu that you received. The remaining tax basis is allocated to your DTV Class A common shares, in this example $1,599.47 or $21.6144 per DTV share.

Step 3) You also received 7.5 shares of LSTZA in exchange for your 75 LMDIA shares and need to allocate basis to those shares.

a. The total cost basis in these shares is simply your original cost basis in LMDIA less the cost basis you calculated in Step 1a above, in this example, $253.65 ($1,875 less $1,621.35).

b. To allocate the cost basis to the fractional shares paid in cash, divide the fractional share by the total shares and multiply the resulting percentage by the amount of the remaining basis that you calculated in Step 3a.

   In this example, 0.5 divided by 7.5 equals 0.06667. Multiply 0.06667 by $253.65 which equals $9.88. This is the tax basis allocated to the cash in lieu. The remaining tax basis is allocated to your LSTZA shares, in this example $243.77 or $34.8243 per LSTZA share.

**These are examples only – tax laws may have changed since the posting of this information. You should consult a professional tax advisor to help you with your specific situation.**

## Step 2 AT&T Acquisition of DIRECTV

Information Regarding U.S. Federal Income Tax Calculations in connection with the Acquisition of DIRECTV by AT&T

The following information is provided to illustrate how to determine taxable gain on DIRECTV stock as well as tax basis in AT&T shares received in the acquisition of DIRECTV by AT&T.

THIS INFORMATION IS FOR ILLUSTRATIVE PURPOSES AND NOT INTENDED AS TAX ADVICE. YOU SHOULD CONSULT YOUR TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE TRANSACTION UNDER U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS.

As a DIRECTV shareholder, you are entitled to receive for each share of DIRECTV common stock an amount equal to $28.50 in cash, and 1.892 shares of AT&T common stock, which represents the exchange ratio determined per the terms of the transaction. You may also receive cash in lieu of a fractional share of stock based on a per share price of $35.14. AT&T common stock is traded on the NYSE under the trading symbol “T”.

Below are two examples to help you understand the calculations based on a hypothetical cost basis and number of DTV shares.

**Examples for two shareholders with different historical tax basis, each in a single block of 100 DIRECTV shares that were exchanged for both cash ($28.50 per share) and AT&T stock per the terms of the transaction using AT&T stock with a value of $34.69 per share.**

| *The following information is used to calculate the gain in steps 1 through 4 of this example:* | **Shareholder A** | **Shareholder B** |
|---|---|---|
| **Tax basis in DIRECTV shares exchanged:** | | |
| Number of hypothetical DIRECTV shares exchanged | 100 | 100 |
| Hypothetical tax basis per share | $43.00 | $85.00 |
| **Total hypothetical tax basis in DIRECTV shares exchanged** | **$4,300.00** | **$8,500.00** |
| **Cash received in exchange for DIRECTV shares ($28.50 x 100 shares)** | **$2,850.00** | **$2,850.00** |
| **AT&T shares received in exchange for DIRECTV shares:** | | |
| Exchange ratio determined per the terms of the transaction | 1.892 | 1.892 |
| Number of DIRECTV shares exchanged | 100 | 100 |
| Number of AT&T shares received | 189.200 | 189.200 |
| **Value of AT&T shares received @ $34.69 per share** | **$6,563.35** | **$6,563.35** |
| Fractional shares of AT&T received | 0.200 | 0.200 |
| **Cash received for fractional shares @ $35.14 per share** | **$7.03** | **$7.03** |

| **Step 1 - Taxable gain or loss realized** | | |
|---|---|---|
| Cash received for shares exchanged | $2,850.00 | $2,850.00 |
| Value of AT&T shares received | $6,563.35 | $6,563.35 |
| Total value of cash and stock received | $9,413.35 | $9,413.35 |
| Less: Tax basis of DIRECTV shares exchanged | ($4,300.00) | ($8,500.00) |
| **Total gain realized** | **$5,113.35** | **$913.35** |

| **Step 2 - Taxable gain recognized in the exchange** | | |
|---|---|---|
| Total gain realized | $5,113.35 | $913.35 |
| Total cash received | $2,850.00 | $2,850.00 |
| **Taxable gain (lesser of both amounts)** | **$2,850.00** | **$913.35** |

| Step 3 - Tax basis in AT&T shares received | | |
|---|---|---|
| Tax basis of DIRECTV shares exchanged | $4,300.00 | $8,500.00 |
| Less: Total cash received | ($2,850.00) | ($2,850.00) |
| Plus: Taxable gain recognized | $2,850.00 | $913.35 |
| **Tax basis in AT&T shares received** | **$4,300.00** | **$6,563.35** |
| Number of AT&T shares received | 189.200 | 189.200 |
| **Per share tax basis in AT&T shares received** | **$22.727** | **$34.690** |

| Step 4 - Taxable gain or loss recognized on AT&T fractional shares | | |
|---|---|---|
| Per share tax basis in AT&T shares received | $22.727 | $34.690 |
| AT&T fractional shares received in cash | 0.200 | 0.200 |
| Tax basis in AT&T fractional shares in cash | $4.55 | $6.94 |
| Cash received in lieu of AT&T fractional shares | $7.03 | $7.03 |
| Less: Tax basis of AT&T fractional shares | ($4.55) | ($6.94) |
| **Taxable gain or loss attributable to cash received in lieu of AT&T fractional shares** | **$2.48** | **$0.09** |

| Summary | | |
|---|---|---|
| Cash received in exchange for DIRECTV shares | $2,850.00 | $2,850.00 |
| Cash received in lieu of fractional shares | $7.03 | $7.03 |
| **Total cash received** | **$2,857.03** | **$2,857.03** |
| Taxable gain on exchange of DIRECTV shares for cash | $2,850.00 | $913.35 |
| Taxable gain attributable to cash received in lieu of AT&T fractional shares | $2.48 | $0.09 |
| **Total taxable gain recognized upon closing of transaction** | **$2,852.48** | **$913.44** |
| AT&T shares received | 189 | 189 |
| **Per share tax basis in AT&T shares received** | **$22.727** | **$34.690** |
| **Total basis in AT&T shares received** | **$4,295.40** | **$6,556.41** |

**FOR MORE INFORMATION ON TAX CONSEQUENCES OF THE TRANSACTION, REFER TO THE FOLLOWING EXCERPT FROM THE FORM S-4 FILED BY AT&T INC. WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION ON JULY 1, 2014.**

## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

This section describes the material United States federal income tax consequences of the merger to U.S. holders of DIRECTV common stock who exchange shares of DIRECTV common stock for a combination of shares of AT&T common stock and cash pursuant to the merger. The following discussion is based on the Internal Revenue Code, existing and proposed regulations thereunder and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

For purposes of this discussion, a U.S. holder is a beneficial owner of DIRECTV common stock who for United States federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation, or an entity treated as a corporation, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- a trust that (1) is subject to (A) the primary supervision of a court within the United States and (B) the authority of one or more United States persons to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person; or
- an estate that is subject to United States federal income tax on its income regardless of its source.

If a partnership (including for this purpose any entity or arrangement treated as a partnership for United States federal income tax purposes) holds DIRECTV common stock, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding DIRECTV common stock, you should consult your tax advisor regarding the tax consequences of the merger.

This discussion addresses only those DIRECTV stockholders that hold their DIRECTV common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code (generally, property held for investment), and does not address all of the United States federal income tax consequences that may be relevant to particular DIRECTV stockholders in light of their individual circumstances or to DIRECTV stockholders that are subject to special rules, such as:

- financial institutions;
- pass-through entities or investors in pass-through entities;
- insurance companies;
- tax-exempt organizations;
- dealers in securities;
- traders in securities that elect to use a mark-to-market method of accounting;
- persons who exercise dissenters' rights;
- persons that hold DIRECTV common stock as part of a straddle, hedge, constructive sale or conversion transaction;
- persons that purchased or sell their shares of DIRECTV common stock as part of a wash sale;
- certain expatriates or persons that have a functional currency other than the U.S. dollar;
- persons that are not U.S. holders; and
- stockholders who acquired their shares of DIRECTV common stock through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified retirement plan.

In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger.

**ALL HOLDERS OF DIRECTV COMMON STOCK SHOULD CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF THE ALTERNATIVE MINIMUM TAX AND ANY STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.**

The obligation of AT&T to complete the merger is conditioned upon the receipt of an opinion from Sullivan & Cromwell LLP, counsel to AT&T, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code based upon representations made by AT&T and DIRECTV. The obligation of DIRECTV to complete the merger is conditioned upon the receipt of an opinion from Weil, Gotshal & Manges LLP, counsel to DIRECTV, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code based upon representations made by AT&T and DIRECTV. Neither of these opinions is binding on the Internal Revenue Service or the courts. AT&T and DIRECTV have not requested and do not intend to request any ruling from the Internal Revenue Service as to the United States federal income tax consequences of the merger. The following discussion assumes the receipt and accuracy of the opinions described above.

*Federal Income Tax Consequences of the Merger*. The United States federal income tax consequences of the merger to U.S. holders of DIRECTV common stock are as follows:

- a U.S. holder of DIRECTV common stock will recognize gain (but not loss) in an amount equal to the lesser of (1) the amount by which the sum of the fair market value of the AT&T common stock and cash received by a holder of DIRECTV common stock exceeds such holder's tax basis in its DIRECTV common stock, and (2) the amount of cash received by such holder of DIRECTV common stock (in each case excluding any cash received instead of fractional share interests in AT&T common stock, which shall be treated as discussed below);
- the aggregate tax basis of the AT&T common stock received in the merger (including any fractional share interests in AT&T common stock deemed received and exchanged for cash, as discussed below) will be the same as the aggregate tax basis of the DIRECTV common stock for which it is exchanged, decreased by the amount of cash received in the merger (excluding any cash received instead of fractional share interests in AT&T common stock), and increased by the amount of gain recognized on the exchange (regardless of whether such gain is classified as capital gain or dividend income, as discussed below), excluding any gain recognized with respect to fractional share interests in AT&T common stock for which cash is received, as discussed below; and
- the holding period of AT&T common stock received in exchange for shares of DIRECTV common stock (including any fractional share interests in AT&T common stock deemed received and exchanged for cash, as discussed below) will include the holding period of the DIRECTV common stock for which it is exchanged.

If holders of DIRECTV common stock acquired different blocks of DIRECTV common stock at different times or at different prices, any gain will be determined separately with respect to each block of DIRECTV common stock and such holders' basis and holding period in their shares of AT&T common stock may be determined with reference to each block of DIRECTV common stock. Any such holders should consult their tax advisors regarding the manner in which cash and AT&T common stock received in the exchange should be allocated among different blocks of DIRECTV common stock and with respect to identifying the bases or holding periods of the particular shares of AT&T common stock received in the merger.

Gain that holders of DIRECTV common stock recognize in connection with the merger generally will constitute capital gain and will constitute long-term capital gain if such holders have held their DIRECTV common stock for more than one year as of the date of the merger. Long-term capital gain of certain non-corporate holders of DIRECTV common stock, including individuals, is generally taxed at preferential rates. In some cases, if a holder actually or constructively owns AT&T common stock other than AT&T common stock received pursuant to the merger, the recognized gain could be treated as having the effect of a distribution of a dividend under the tests set forth in Section 302 of the Internal Revenue Code, in which case such gain would be treated as dividend income. Because the possibility of dividend treatment depends upon each holder's particular circumstances, including the application of constructive ownership rules, holders of DIRECTV common stock should consult their tax advisors regarding the application of the foregoing rules to their particular circumstances.

*Medicare Net Investment Income Tax*. A U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the U.S. holder's "net investment income" (or "undistributed net investment income" in the case of an estate or trust) for the relevant taxable year and (2) the excess of the U.S. holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000, depending on the individual's circumstances). For this purpose, net investment income generally includes dividend income and net gain recognized with respect to a disposition of shares of DIRECTV common stock pursuant to the merger, unless such dividend income or net gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. holder that is an individual, estate or trust, please consult your tax advisors regarding the applicability of the Medicare tax with respect to your disposition of shares of DIRECTV common stock pursuant to the merger.

*Cash Received Instead of a Fractional Share of AT&T Common Stock*. A holder of DIRECTV common stock who receives cash instead of a fractional share of AT&T common stock will generally be treated as having received the fractional share pursuant to the merger and then as having sold to AT&T that fractional share of AT&T common stock for cash. As a result, a holder of DIRECTV common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the tax basis allocated to such fractional share of AT&T common stock. Gain or loss recognized with respect to cash received in lieu of a fractional share of AT&T common stock will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective time, the holding period for such shares is greater than one year. The deductibility of capital losses is subject to limitations.

*Information Reporting and Backup Withholding*. Payments of cash to a holder of DIRECTV common stock may, under certain circumstances, be subject to information reporting and backup withholding, unless the holder provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's United States federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service.

**The preceding discussion is intended only as a general discussion of material United States federal income tax consequences of the merger. It is not a complete analysis or discussion of all potential tax effects that may be important to you. Thus, you are strongly encouraged to consult your tax advisor as to the specific tax consequences resulting from the merger, including tax return reporting requirements, the applicability and effect of federal, state, local, and other tax laws and the effect of any proposed changes in the tax laws.**

Form **8937**
(December 2011)
Department of the Treasury
Internal Revenue Service

# Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-2224

## Part I Reporting Issuer

| | | | |
|---|---|---|---|
| 1 Issuer's name<br>AT&T Inc., as successor to DIRECTV | | | 2 Issuer's employer identification number (EIN)<br>43-1301883 |
| 3 Name of contact for additional information<br>Lonnie Shirey / Investor Relations | 4 Telephone No. of contact<br>(214) 757-4698 | | 5 Email address of contact<br>lonnie.shirey@att.com |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact<br>208 S. Akard St. | | | 7 City, town, or post office, state, and Zip code of contact<br>Dallas, TX 75202 |
| 8 Date of action<br>July 24, 2015 | 9 Classification and description<br>DIRECTV Common Stock | | |
| 10 CUSIP number<br>25490A309 | 11 Serial number(s) | 12 Ticker symbol<br>DTV | 13 Account number(s) |

## Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ See attachment.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ See attachment.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ See attachment.

**Part II** **Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶

IRC Sections 354(a), 358(a), 368(a) and 1001.

18 Can any resulting loss be recognized? ▶ See attachment.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶

The Merger (as defined in the attached response to box 14) was consummated on July 24, 2015. Consequently, the reportable taxable year of holders of DIRECTV common stock (as defined in the attached response to box 14) for reporting the tax effect of the Merger is the taxable year that includes the July 24, 2015 date.

Former holders of DIRECTV common stock are urged to consult with their own tax advisors with respect to their individual tax consequences of the Merger.

PROTECTIVE FILING. ISSUER UNCERTAIN WHETHER THE MERGER "AFFECTS" HOLDERS' BASIS IN SHARES OF DIRECTV COMMON STOCK SINCE BASIS CARRIED OVER TO SHARES OF AT&T COMMON STOCK.

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ Larry Ruzicka Date ▶ 8/20/15

Print your name ▶ Larry Ruzicka Title ▶ SVP, TAX

| **Paid Preparer Use Only** | Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN |
|---|---|---|---|---|---|
| | Firm's name ▶ | | | Firm's EIN ▶ | |
| | Firm's address ▶ | | | Phone no. | |

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

**AT&T Inc., as successor to DIRECTV**
**EIN 43-1301883**
**Attachment to Form 8937**

**Form 8937, Part II, Box 14:**

On July 24, 2015, pursuant to the Agreement and Plan of Merger, dated as of May 18, 2014, among DIRECTV ("DIRECTV"), AT&T Inc. ("AT&T") and Steam Merger Sub LLC (now known as DIRECTV Group Holdings, LLC, and a wholly owned subsidiary of AT&T) ("Merger Sub"), DIRECTV merged with and into Merger Sub, with Merger Sub being renamed DIRECTV Group Holdings, LLC and continuing as the surviving entity and as a direct wholly owned subsidiary of AT&T (the "Merger").

At the closing of the Merger, each outstanding share of DIRECTV common stock, par value $0.01 per share ("DIRECTV common stock"), was converted into the right to receive 1.892 shares of AT&T common stock, par value $1.00 per share ("AT&T common stock") plus $28.50 in cash, and cash in lieu of any fractional shares.

**Form 8937, Part II, Box 15:**

The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders.

Further discussion of the tax consequences of the Merger can be found in the Form S-4 for AT&T as filed with the Securities and Exchange Commission on July 1, 2014, under the heading "Material United States Federal Income Tax Consequences" (available at: http://www.sec.gov/Archives/edgar/data/732717/000119312514256347/d750736ds4.htm).

As stated in the Form S-4, the Merger was intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). No ruling from the Internal Revenue Service has been requested or is intended to be obtained as to the United States federal income tax consequences of the Merger. Assuming the Merger constitutes a reorganization, with respect to holders of DIRECTV common stock that are U.S. taxpayers not in a special class of holders subject to special rules as described further in the Form S-4 ("U.S. holders"):

- A U.S. holder of DIRECTV common stock will recognize gain (but not loss) in an amount equal to the lesser of (1) the amount by which the sum of the fair market value of the AT&T common stock and cash received by a holder of DIRECTV common stock (approximately $94.13 per share of DIRECTV common stock, based upon a fair market value of $34.69 per share of AT&T common stock, as described in the response to box 16 below) exceeds such holder's tax basis in its DIRECTV common stock, and (2) the amount of cash received by such holder of DIRECTV common stock ($28.50 per share of DIRECTV common stock), in each case excluding any cash received in lieu of fractional share interests in AT&T common stock, which shall be treated as described below; and

- The aggregate tax basis of the AT&T common stock received in the Merger (including any fractional share interests in AT&T common stock deemed received and exchanged for cash, as discussed below) will be the same as the aggregate tax basis of the DIRECTV common stock for which it is exchanged, decreased by the amount of cash received in the Merger (excluding any cash received instead of fractional share interests in AT&T common stock), and increased by the amount of gain recognized on the exchange (regardless of whether such gain is classified as capital gain or dividend income, as discussed in the Form S-4), excluding any gain recognized with respect to fractional share interests in AT&T common stock for which cash is received, as discussed below.

If holders of DIRECTV common stock acquired different blocks of DIRECTV common stock at different times or at different prices, any gain will be determined separately with respect to each block of DIRECTV common stock and such holders' basis in their shares of AT&T common stock may be determined with reference to each block of DIRECTV common stock.

A holder of DIRECTV common stock who receives cash instead of a fractional share of AT&T common stock will generally be treated as having received the fractional share pursuant to the Merger and then as having sold to AT&T that fractional share of AT&T common stock for cash. As a result, a holder of DIRECTV common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the tax basis allocated to such fractional share of AT&T common stock.

**Form 8937, Part II, Box 16:**

The fair market value for United States federal income tax purposes of each full share of AT&T common stock was determined to be $34.69 as of the effective time of the Merger. This fair market value is based an average of the highest and lowest quoted prices ($35.09 and $34.29, respectively) of the AT&T common stock on the New York Stock Exchange on July 24, 2015, the date of the Merger.

**Form 8937, Part II, Box 18:**

The Merger was intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. As described in the response to box 15, if the Merger is respected as a "reorganization" within the meaning of Section 368(a) of the Code, a U.S. holder of DIRECTV common stock will not recognize any loss upon receipt of AT&T common stock in the Merger, except with respect to cash received in lieu of fractional shares of AT&T common stock. A U.S. holder of DIRECTV common stock who receives cash in lieu of a fractional share of AT&T common stock in the Merger generally will be treated as having received such fractional share in the Merger and then as having received cash in redemption of such fractional share, and may recognize loss as a result of such redemption.