

If you originally received GMH stock as a dividend from General Motors in 1985, there are 6 steps below to calculate your cost basis in your AT&T shares as well as other stock received as part of prior corporate actions.

GMH stock came into being when on November 4, 1985, the GM Board of Directors declared a dividend of one share of GM Class H commons stock for every 20 shares of General Motors \$1-2/3 par value commons stock payable to stockholders of record November 14, 1985. The GMH common stock dividend was issued on 12/30/1985 and began trading on 12/31/1985.

NOTE: some of the stock received in these corporate actions – such as Raytheon and News Corp – may have undergone additional corporate actions. Please check their investor websites for more details.

STEP 1 – GMH dividend received from General Motors.

Here are 3 examples for step 1 based on your particular situation.

Example 1: If you did not receive any cash in lieu and only received Class H common stock:

Assume a shareholder owns 100 shares of GM common stock purchased for \$50.00 per share. The shareholder would be entitled to receive five shares of Class H common stock as result of the December 30, 1985, stock dividend. The cost basis of the GM common stock is \$5,000.00 (100 shares times \$50.00 per share). As stated above, 2.6883% of this cost basis is allocated tot he Class H common stock, and the remaining 97.3117% is allocated to the GM common stock.

Class H Common Stock

Basis allocated to Class H common stock -
 $\$5,000.00 \times 0.026883 = \134.41

Basis per Class H common share -
 $\$134.41 \text{ divided by } 5 = \26.88

Common Stock

Basis allocated to GM common stock -
 $\$5,000.00 \times 0.973117 = \$4,865.58$

Basis per GM common share -
 $\$4,865.58 \text{ divided by } 100 = \48.65

Example 2: If you received both Class H common stock and cash in lieu of a fractional share

Assume a shareholder owns 110 shares of GM common stock purchased for \$50.00 per share. The shareholder would be entitled to receive 5-1/2 shares of Class H common stock as a result of the

December 30, 1985, stock distribution. The shareholder, however, would receive a cash payment in lieu of the fractional 1/2 share. GM has been advised by its outside counsel that the receipt of cash in lieu of a fractional share of Class H common stock should be treated for Federal income tax purposes as a sale of the fractional share.

The total cost basis of the GM common stock is \$5,500.00 (110 shares at \$50.00 per share). Thus, 2.6883% of this basis is allocated as the basis of the Class H common stock, including the fractional share deemed to be sold for the cash received in lieu of such fractional share. The remaining 97.3117% of this total cost basis is allocated to the GM common stock.

Class H Common Stock

Basis allocated to Class H common stock -
 $\$5,500.00 \times 0.026883 = \147.85

Basis per Class H common share -
 $\$147.85 \text{ divided by } 5\text{-}1/2 = \26.88

Common Stock

Basis allocated to GM common stock -
 $\$5,500.00 \times 0.973117 = \$5,352.14$

Basis per GM common share -
 $\$5,352.14 \text{ divided by } 110 = \48.65

The cash paid in lieu of fractional shares was based on the average closing market price of Class H common stock during the first five days of regular way trading. This average was \$36.925.

Consequently, in this example the shareholder would have received a \$18.46 cash payment ($\$36.925 \times 1/2 \text{ share}$). The shareholder's basis in this 1/2 share would be \$13.44 ($\$26.88 \text{ per share allocated to the Class H common stock} \times 1/2 \text{ share}$). Therefore, the shareholder would report a taxable gain of \$5.02 ($\$18.46 \text{ less } \13.44) with respect to the cash paid in lieu of the fractional share. This gain will generally be capital in character and, depending upon the holding period of the GM common stock which gave rise to the fractional share, will be either short- or long-term.

Example 3: If you only received cash in lieu of a fractional share:

Assume a shareholder owns ten shares of GM common stock purchased for \$50.00 per share. The shareholder, who would otherwise be entitled to receive 1/2 share of Class H common stock as a result of the December 30, 1985, stock distribution, would receive cash in lieu of this fractional share. As was noted in Example 2 above, the receipt of cash in lieu of a fractional share should be treated for Federal income tax purposes as the sale of a fractional share.

The total cost basis of the GM common stock is \$500.00 (ten shares at \$50.00 per share). As was previously indicated in Example 2, 2.6883% of this basis is allocated as the basis of the fractional

share deemed to be sold for the cash received in lieu of such fractional share. The remaining 97.3117% of this total cost basis is allocated to the GM common stock.

Cash Received in Lieu of Fractional Share

Basis allocated to fractional share of Class H common stock -

$$\$500.00 \times 0.026883 = \$13.44$$

Taxable gain to be recognized as a result of receipt of cash in lieu of fractional share of Class H common stock. (Per Example 2, a shareholder otherwise eligible to receive 1/2 share of Class H common stock would receive \$18.46 in lieu of this fractional share.) This gain will be either short- or long-term depending on the holding period of the ten shares of GM common stock which gave rise to this fractional share.

$$\$18.46 \text{ less } \$13.44 = \$5.02$$

Common Stock

Basis allocated to GM common stock -

$$\$500.00 \times 0.973117 = \$486.56$$

Basis per GM common share -

$$\$486.56 \text{ divided by } 10 = \$48.65$$

Step 2 - Stock Split

In June 1988, GMH split 2:1 – this doubled the number of GMH shares you owned and halved the per-share cost basis you calculated above.

Example:

Original Shares	100	New Shares	200
Original per share cost basis	\$18	New per share cost basis	\$9
Original total cost basis	\$1,800	New total cost basis	\$1,800

Step 3 Raytheon – GM – GMH transaction (Hughes Defense Spin-off)

Federal tax law requires that the tax basis in your old GM Class H Common Stock be allocated between your GM stock and the Raytheon Class A Common Stock that you received in the Hughes Defense Spin-Off. This allocation is based on the relative fair market value immediately after the Hughes Defense Spin-Off of your new GM Class H Common Stock and your Raytheon Class A Common Stock.

Federal tax law does not specifically identify how one determines the fair market value of the new Class H Common Stock and the Raytheon Class A Common Stock 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 December 18 (the day on which both stocks first traded); (ii) the opening trading price on December 18; and (iii) the closing trading price on December 18. 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. The following examples provide the basis allocation percentages under each of these alternative methods. You may wish to adopt one of these methods for allocating your tax basis.

Each of these examples assumes that a shareholder owns 1,000 shares of old Class H Common Stock that were purchased for \$30 per share, for a total basis of \$30,000. Pursuant to the distribution ratio of 0.56240 shares of Raytheon Class A Common Stock for each share of Class H Common Stock, this shareholder would have received 562.4 shares of Raytheon Class A Common Stock in the Hughes Defense Spin-Off. Of these shares, the fractional .4 share was converted into Raytheon Class B Common Stock and sold at a price of \$56.149 (per whole share) shortly after Hughes Defense merged with Raytheon. The 1,000 shares of old Class H Common Stock were recapitalized and exchanged for 1,000 shares of new Class H Common Stock.

These examples also show how tax basis can be allocated between new Class H Common Stock and Raytheon Class A Common Stock, including fractional shares sold for cash. Stockholders should recognize gain or loss in an amount equal to the difference between the tax basis allocated to these fractional shares and the amount of cash received.

(i) Average of High and Low for December 18, 1997

High/Low Average

GM_New_Class_H \$38.315

Raytheon_Class_A \$55.44

Shares Retained/Received

GM_New_Class_H 1,000

Raytheon_Class_A 562.40

Total Value of Shares

GM_New_Class_H \$38,315

Raytheon_Class_A \$31,179

Allocation of basis %

GM_New_Class_H 55.13%

Raytheon_Class_A 44.87%

Allocation of \$30,000 basis
GM_New_Class_H \$16,539
Raytheon_Class_A \$13,461

Tax Basis allocated to fractional share ($.4/562.4 \times \$13,461$)
GM_New_Class_H
Raytheon_Class_A \$9.57

(ii) Opening Price for December 18, 1997

Opening Price
GM_New_Class_H \$38.315
Raytheon_Class_A \$55.44

Shares Retained/Received
GM_New_Class_H 1,000
Raytheon_Class_A 562.40

Total Value of Shares
GM_New_Class_H \$36,750
Raytheon_Class_A \$31,073

Allocation of basis %
GM_New_Class_H 54.19%
Raytheon_Class_A 45.81%

Allocation of \$30,000 basis
GM_New_Class_H \$16,257
Raytheon_Class_A \$13,743

Tax Basis allocated to fractional share ($.41/562.4 \times \$13,743$)
GM_New_Class_H
Raytheon_Class_A \$9.77

(iii) Closing Price for December 18, 1997

Closing Price
GM_New_Class_H \$37.94
Raytheon_Class_A \$54.75

Shares Retained/Received
GM_New_Class_H 1,000
Raytheon_Class_A 562.40

Total Value of Shares

GM_New_Class_H \$37,940

Raytheon_Class_A \$30,791

Allocation of basis %

GM_New_Class_H 55.20%

Raytheon_Class_A 48.80%

Allocation of \$30,000 basis

GM_New_Class_H \$16,560

Raytheon_Class_A \$13,440

Tax Basis allocated to fractional share

GM_New_Class_H

Raytheon_Class_A \$9.56

Step 4 - Stock Split

In July 2000, GMH split 3:1 – this tripled the number of GMH shares you owned and reduced the per share cost basis you calculated above by two-thirds.

Example:

Original Shares	100	New Shares	300
Original per share cost basis	\$18	New per share cost basis	\$6
Original total cost basis	\$1,800	New total cost basis	\$1,800

Step 5 Hughes Split-off and News Corporation Transaction

The following information is provided to assist you in:

- Determining your holdings of Hughes Electronics Corporation common stock (HS) and News Corporation Preferred ADSs (NWS.A) after the completion of the split-off of Hughes from General Motors Corporation and the subsequent transactions with News Corporation (collectively the "transactions"),
- Calculating your gain or loss for U.S. federal income tax purposes that resulted from the transactions, and
- Determining your tax basis in your Hughes common stock and your News Corporation Preferred ADSs for U.S. federal income tax purposes.

Upon the split-off of Hughes Electronics Corporation from General Motors Corporation and the merger of Hughes with a wholly owned subsidiary of News Corporation on December 22, 2003, the former shareholders of GM Class H common stock received .82322 shares of Hughes common stock and .09207 News Corporation Preferred ADSs for

each share of GM Class H common stock held immediately prior to the closing of the transactions. Such holders also may have received an amount of cash instead of a fractional share of Hughes common stock or a fractional NWS.A share.

The U.S. federal income tax impact of the exchange of a portion of your Hughes common stock for News Corporation Preferred ADSs (and the receipt of cash instead of fractional shares) will depend on whether you made a valid share identification election prior to the closing of the transactions and on your tax basis in your Hughes common stock.

Generally, you will be treated as exchanging a portion of each of your shares of Hughes common stock in exchange for News Corporation Preferred ADSs in a taxable transaction. That is, you will be treated as having sold 17.678% of each of your shares of Hughes common stock for .09207 News Corporation Preferred ADSs. You also will be treated as having sold for cash any fractional share of Hughes common stock or News Corporation Preferred ADSs that you otherwise would have received. You will recognize gain or loss equal to the difference between (i) the sum of the fair market value of the News Corporation Preferred ADSs you received in the transactions plus any cash that you received in lieu of fractional shares and (ii) the tax basis in the portion of the Hughes common stock that you are treated as having sold (including the tax basis in any fractional shares that you otherwise would have retained). Your basis in the News Corporation Preferred ADSs that you received will be equal to the fair market value of such shares at the time the transactions closed. Your basis in the portion of the shares of Hughes common stock retained will remain the same.

You should consult your tax advisor to determine the U.S. federal income tax consequences to you, as well as any other consequences under other U.S., state, local, and foreign tax laws. To determine the amount of gain or loss that must be recognized in the merger, the example uses the December 22, 2003 volume weighted average price of News Corporation Preferred ADSs (\$29.01) on the NYSE and cash received on any fractional shares of HS and NWS.A (approximately \$16.25 and \$28.97 per share respectively based upon the actual proceeds from the sale of cumulative fractional shares). In addition, the example assumes that a stockholder owns 100 GMH shares before the transactions with a cost basis of \$10 per share. The example does not address the situation of multiple blocks of GMH shares with differing tax bases. The percentages shown in the example have been rounded from those used in the actual calculations.

Split-off and Exchange Example

Part 1 - Calculation of what the shareholder received for his/her original 100 GMH shares.

Split-Off of Hughes Electronics from GM (Step 1):

GMH shares are exchanged 1 for 1 for HS shares:

100 shares of GMH are exchanged for 100 shares of HS

Exchange of 17.678% of HS shares for NWS.A Shares at the predetermined exchange ratio of .52083 shares of NWS.A for each HS share exchanged (Step 2):

Calculation of NWS.A shares received for 17.678% of HS shares:

$100 \text{ shares} \times .17678 \times .52083 = 9.207$ or 9 shares

of NWSA plus

Cash for fractional shares = $.207 \times \$28.97 = \6.01

Remaining HS Shares and Cash:

$100 \text{ shares} \times .82322 = 82.322$ or 82

shares of HS plus

Cash for fractional shares = $.322 \times \$16.25 = \5.23

Part 2 - Information Regarding how to Determine Tax Basis for Federal Income Tax Purposes and Associated Taxable Gain or Loss

You should consult your tax advisor as to the particular consequences to you of the transactions under U.S. federal, state, local and foreign tax laws.

Initial Tax Basis of Shares Before Split-Off and Exchange			
	<u>Shares</u>	<u>Basis/Sh</u>	<u>Total</u>
GMH	100	\$ 10.00	<u>\$ 1,000.00</u>

Total Gains/(Losses)			
<u>Proceeds</u>	<u>Shares</u>	<u>Basis/Sh*</u>	<u>Total</u>
NWS.A	9	\$ 29.01	\$ 261.09
Cash			<u>\$ 11.24</u>
			\$ 272.33
Less Basis in HS exchanged	18	\$ 10.00	<u>\$ (180.00)</u>
Gain/(Loss)			<u>\$ 92.33</u>

Step 1 - Split Off			
Basis of Shares After Split-Off and Before Exchange			
	<u>Shares</u>	<u>Basis/Sh</u>	<u>Total</u>
HS	100	\$ 10.00	<u>\$ 1,000.00</u>

<u>Summary</u>	
Tax basis of remaining HS shares	\$ 820.00
Tax basis of NWS.A shares	\$ 261.09
Cash Received	\$ 11.24
Taxable Gain/ (Loss)	\$ 92.33

Step 2 - Exchange			
Basis of Shares After Split-Off and Exchange			
	<u>Shares</u>	<u>Basis/Sh*</u>	<u>Total</u>
Remaining HS	82	\$ 10.00	\$ 820.00
NWS.A	9	\$ 29.01	\$ 261.09
			<u>\$ 1,081.09</u>
Cash for Fractional Shares			
	<u>Fraction</u>	<u>Price⁺</u>	<u>Cash Paid</u>
HS	0.322	\$ 16.25	\$ 5.23
NWS.A	0.207	\$ 28.97	\$ 6.01
			<u>\$ 11.24</u>

* \$29.01 share price is the volume weighted average price of NWS.A on 12/22/03

⁺ approximate share prices received for fractional shares based upon the actual proceeds from the sale of cumulative fractional shares

The examples in these materials are based on the assumptions stated and are for illustrative purposes only. These materials are not intended as tax advice and you should consult your professional tax advisor if you have any questions regarding the calculation of the basis of any HS or NWS.A shares that you own.

After the close of the Hughes Split-off and News Corporation Transaction, Hughes Electronics changed its name to DIRECTV and changed the ticker symbol from HS to DTV. There was no formal exchange of your shares and there was no change to the number of shares that you owned.

Step 6 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.

<i>The following information is used to calculate the gain in steps 1 through 4 of this example:</i>		
	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	<u>\$2,850.00</u>	<u>\$913.35</u>
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	<u>0.200</u>	<u>0.200</u>
Tax basis in AT&T fractional shares in cash	<u>\$4.55</u>	<u>\$6.94</u>
Cash received in lieu of AT&T fractional shares	\$7.03	\$7.03
Less: Tax basis of AT&T fractional shares	<u>(\$4.55)</u>	<u>(\$6.94)</u>
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	<u>\$7.03</u>	<u>\$7.03</u>
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	<u>\$2.48</u>	<u>\$0.09</u>
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.

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

► See separate instructions.

Part I Reporting Issuer

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

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.

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.

Sign Here

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 on 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.