

AT&T INC.
Form DEF 14A
March 10, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

AT&T Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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[Notice of 2015 Annual](#)

[Meeting of Stockholders](#)

[and Proxy Statement](#)

To the holders of Common Stock of AT&T Inc.:

The 2015 annual meeting of stockholders of AT&T Inc. will be held as follows:

When: 9:00 a.m. local time, Friday, April 24, 2015

Where: DoubleTree by Hilton Spokane City Center

Grand Ballroom

322 North Spokane Falls Court

Spokane, WA 99201

The purpose of the annual meeting is to consider and take action on the following:

1. Election of Directors
2. Ratification of Ernst & Young LLP as independent auditors
3. Advisory approval of executive compensation
4. Any other business that may properly come before the meeting, including certain stockholder proposals

Holders of AT&T Inc. common stock of record at the close of business on February 25, 2015, are entitled to vote at the meeting and any adjournment of the meeting.

Please sign, date, and return your proxy card or submit your proxy and/or voting instructions by telephone or through the Internet promptly so that a quorum may be represented at the meeting. Any person giving a proxy has the power to revoke it at any time, and stockholders who are present at the meeting may withdraw their proxies and vote in person.

By Order of the Board of Directors.

Stacey Maris

Senior Vice President and Secretary

March 10, 2015

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PROXY STATEMENT

AT&T INC.
One AT&T Plaza
Whitacre Tower
208 S. Akard Street
Dallas, TX 75202

**Important Notice Regarding the Availability of Proxy Materials for the
Stockholder Meeting To Be Held on April 24, 2015:
The proxy statement and annual report to security holders
are available at www.edocumentview.com/att.**

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This summary highlights information contained elsewhere in this Proxy Statement. It does not contain all the information you should consider. You should read the entire Proxy Statement carefully before voting.

Attending the Annual Meeting of Stockholders

If you plan to attend the meeting in person, please vote your proxy and bring the admission ticket (attached to the proxy card or the Annual Meeting Notice) to the Annual Meeting. If you do not have an admission ticket or if you hold your shares in the name of a bank, broker, or other institution, you may obtain admission to the meeting by presenting proof of your ownership of AT&T stock as of February 25, 2015 (the record date).

Agenda and Voting Recommendations

| Item | Description | Board Recommendation | Page |
|------|--|----------------------|------|
| 1 | Election of Directors | FOR each nominee | 15 |
| 2 | Ratification of Ernst & Young LLP as auditors for 2015 | FOR | 22 |
| 3 | Advisory approval of executive compensation | FOR | 22 |
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Current Board Members *

| Director | | | | |
|------------------------------|-----|-------|---|--|
| Name | Age | Since | Principal Occupation | Committees |
| Randall L. Stephenson | 54 | 2005 | Chairman, CEO, and President, AT&T Inc. | Executive |
| Reuben V. Anderson | 72 | 2006 | Senior Partner, Phelps Dunbar, LLP | Corp. Gov. and Nominating, Executive, Public Policy and Corp. Reputation |
| Jaime Chico Pardo | 65 | 2008 | Founder and CEO, ENESA | Audit |
| Scott T. Ford | 52 | 2012 | Member and Chief Executive Officer, Westrock Group, LLC | Corp. Dev. and Finance, Executive, Human Resources |
| Glenn H. Hutchins | 59 | 2014 | Co-Founder, Silver Lake | Corp. Dev. and Finance |
| James P. Kelly | 71 | 2006 | Retired Chairman and CEO, United Parcel Service, Inc. | Audit, Corp. Gov. and Nominating |

| | | | | |
|-------------------------------|----|------|--|--|
| William E. Kennard | 58 | 2014 | Former United States Ambassador to the European Union and former Chairman of the FCC | Public Policy and Corp. Reputation |
| Jon C. Madonna | 71 | 2005 | Retired Chairman and CEO, KPMG | Audit, Corp. Gov. and Nominating, Executive |
| Michael B. McCallister | 62 | 2013 | Retired Chairman and CEO, Humana Inc. | Audit, Public Policy and Corp. Reputation |
| John B. McCoy | 71 | 1999 | Retired Chairman and CEO, Bank One Corporation | Corp. Gov. and Nominating, Executive, Human Resources |
| Beth E. Mooney | 60 | 2013 | Chairman and Chief Executive Officer, KeyCorp | Corp. Dev. and Finance, Public Policy and Corp. Reputation |
| Joyce M. Roché | 67 | 1998 | Retired President and CEO, Girls Inc. | Corp. Gov. and Nominating, Executive, Human Resources |
| Matthew K. Rose | 55 | 2010 | Chairman and CEO, Burlington Northern Santa Fe, LLC | Corp. Gov. and Nominating, Human Resources |
| Cynthia B. Taylor | 53 | 2013 | President and CEO, Oil States International, Inc. | Audit, Corp. Dev. and Finance |
| Laura D Andrea Tyson | 67 | 1999 | Professor of Business Admin. and Econ., Haas School of Business, Univ. of California at Berkeley | Audit, Public Policy and Corp. Reputation |

**Each Director is elected annually by a majority of votes cast. All non-employee Directors are independent.*

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Information About the Meeting and Voting

[Information About the Meeting and Voting](#)

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of AT&T Inc. (*AT&T*, the *Company*, or *we*) for use at the 2015 Annual Meeting of Stockholders of AT&T. The meeting will be held at 9:00 a.m. local time on Friday, April 24, 2015, at the DoubleTree by Hilton Hotel Spokane City Center in the Grand Ballroom, 322 North Spokane Falls Court, Spokane, WA 99201.

The purposes of the meeting are set forth in the Notice of Annual Meeting of Stockholders (see cover page). This Proxy Statement and form of proxy are being sent or made available beginning March 10, 2015, to stockholders who were record holders of AT&T's common stock, \$1.00 par value per share, at the close of business on February 25, 2015. These materials are also available at www.edocumentview.com/att. Each share entitles the registered holder to one vote. As of January 31, 2015, there were 5,187,827,522 shares of AT&T common stock outstanding.

To constitute a quorum to conduct business at the meeting, stockholders representing at least 40% of the shares of common stock entitled to vote at the meeting must be present or represented by proxy.

Voting

[Stockholders of Record](#)

Stockholders whose shares are registered in their name on the Company records, stockholders of record, will either receive a proxy card by which they may indicate their voting instructions or a notice on how they may obtain a proxy. Instead of submitting a signed proxy card, stockholders may submit their proxies by telephone or through the Internet. Telephone and Internet proxies must be used in conjunction with, and will be subject to, the information and terms contained on the form of proxy. Similar procedures may also be available to stockholders who hold their shares through a broker, nominee, fiduciary or other custodian.

All shares represented by proxies will be voted by one or more of the persons designated on the form of proxy in accordance with the stockholders' directions. If the proxy card is signed and returned or the proxy is submitted by telephone or through the Internet without specific directions with respect to the matters to be acted upon, it will be treated as an instruction to vote such shares in accordance with the recommendations of the Board of Directors. Any stockholder giving a proxy may revoke it at any time before the proxy is voted at the meeting by giving written notice of revocation to the Secretary of AT&T, by submitting a later-dated proxy, or by attending the meeting and voting in person. The Chairman of the Board will announce the closing of the polls during the Annual Meeting. Proxies must be received before the closing of the polls in order to be counted.

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A stockholder may designate a person or persons other than those persons designated on the form of proxy to act as the stockholder's proxy by striking out the name(s) appearing on the proxy card, inserting the name(s) of another person(s) and delivering the signed card to that person(s). The person(s) designated by the stockholder must present the signed proxy card at the meeting in order for the shares to be voted.

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Information About the Meeting and Voting

[Shares Held Through a Bank, Broker or Other Custodian](#)

Where the stockholder is not the record holder, such as where the shares are held through a broker, nominee, fiduciary or other custodian, the stockholder must provide voting instructions to the record holder of the shares in accordance with the record holder's requirements in order to ensure the shares are properly voted.

[Shares Held on Your Behalf under Company Benefit Plans](#)

The proxy card, or a proxy submitted by telephone or through the Internet, will also serve as voting instructions to the plan administrator or trustee for any shares held on behalf of a participant under any of the following employee benefit plans: the AT&T Savings and Security Plan, the AT&T Puerto Rico Retirement Savings Plan, the AT&T Retirement Savings Plan, and the BellSouth Savings and Security Plan. Subject to the trustee's fiduciary obligations, shares in each of the above employee benefit plans for which a proxy card or other instructions are not received will not be voted. To allow sufficient time for voting by the trustees and/or administrators of the plans, your voting instructions must be received by April 21, 2015.

In addition, the proxy card or a proxy submitted by telephone or through the Internet will constitute voting instructions to the plan administrator under The DirectSERVICE Investment Program sponsored and administered by Computershare Trust Company, N.A. (AT&T's transfer agent) for shares held on behalf of plan participants.

If a stockholder participates in the plans listed above and/or maintains stockholder accounts under more than one name (including minor differences in registration, such as with or without a middle initial), the stockholder may receive more than one set of proxy materials. To ensure that all shares are voted, please submit proxies for all of the shares you own.

Attending the Meeting

Only AT&T stockholders may attend the meeting.

[Stockholders of Record \(shares are registered in your name\)](#)

An admission ticket is attached to your proxy card or Annual Meeting Notice and Admission Ticket. If you plan to attend the annual meeting, please retain the admission ticket and bring it with you to the meeting. A stockholder of record who does not have an admission ticket will be admitted upon presentation of photo identification at the door.

[Other Stockholders \(your shares are held in the name of a bank, broker, or other institution\)](#)

You may obtain admission to the meeting by presenting proof of your ownership of AT&T common stock. To be able to vote at the meeting, you will need the bank, broker, or record holder to give you a proxy.

Voting Results

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The voting results of the annual meeting will be published no later than four business days after the annual meeting on a Form 8-K filed with the Securities and Exchange Commission, which will be available in the investor relations area of our website at www.att.com.

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Common Stock Ownership

Certain Beneficial Owners

The following table lists the beneficial ownership of each person holding more than 5% of AT&T's outstanding common stock as of December 31, 2014 (based on a review of filings made with the Securities and Exchange Commission on Schedules 13D and 13G).

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|------------------|
| BlackRock Inc. 40 East 52nd St., New York, NY 10022 | 287,637,623 (1) | 5.6% |
| The Vanguard Group 100 Vanguard Blvd., Malvern, PA 19355 | 280,533,698 (2) | 5.4% |

1. Based on a Schedule 13G/A filed by BlackRock Inc. with the SEC on February 9, 2015, which reported the following: sole voting power of 242,484,641 shares; shared voting power of 0 shares; sole dispositive power of 287,637,623 shares, and shared dispositive power of 0 shares.
2. Based on a Schedule 13G filed by The Vanguard Group with the SEC on February 11, 2015, which reported the following: sole voting power of 8,933,207 shares; shared voting power of 0 shares; sole dispositive power of 272,077,011 shares, and shared dispositive power of 8,456,687 shares.

Directors and Officers

The following table lists the beneficial ownership of AT&T common stock and non-voting stock units as of December 31, 2014, held by each Director, nominee, and officer named in the Summary Compensation Table on page 51. As of that date, each Director and officer listed below, and all Directors and executive officers as a group, owned less than 1% of our outstanding common stock. Except as noted below, the persons listed in the table have sole voting and investment power with respect to the securities indicated.

| Name of Beneficial Owner | Total AT&T Beneficial | Non-Voting Stock Units (2) | Name of Beneficial Owner | Total AT&T Beneficial | Non-Voting Stock Units (2) |
|--------------------------|-----------------------|----------------------------|--------------------------|-----------------------|----------------------------|
|--------------------------|-----------------------|----------------------------|--------------------------|-----------------------|----------------------------|

| Ownership (including options) (1) | | | Ownership (including options) (1) | | |
|---|---------|---------|---|-----------|-----------|
| Reuben V. Anderson | 31,504 | 71,729 | Laura D. Andrea Tyson | 0 | 96,280 |
| Jaime Chico Pardo | 53,319 | 32,614 | Randall L. Stephenson | 2,005,134 | 192,858 |
| Scott T. Ford | 66,319 | 15,266 | John J. Stephens | 441,949 | 71,196 |
| Glenn H. Hutchins | 103,322 | 0 | Rafael de la Vega | 483,142 | 195,931 |
| James P. Kelly | 23,532 | 57,737 | John T. Stankey | 410,261 | 50,216 |
| William E. Kennard | 0 | 0 | Wayne Watts | 254,162 | 45,386 |
| Jon C. Madonna | 14,573 | 48,115 | | | |
| Michael B. McCallister | 10,651 | 8,639 | | | |
| John B. McCoy | 31,584 | 173,605 | All executive officers and Directors as a group (consisting of 26 persons, including those named above) | 5,045,216 | 1,464,275 |
| Beth E. Mooney | 2,600 | 6,735 | | | |
| Joyce M. Roché | 3,762 | 131,218 | | | |
| Matthew K. Rose | 113,000 | 37,127 | | | |
| Cynthia B. Taylor | 2,921 | 4,312 | | | |

1. The table above includes presently exercisable stock options and stock options that became exercisable within 60 days of the date of this table. The following Directors and executive officers hold the following numbers of options: Mr. Kelly 9,767, Mr. Stephenson 1,046,938, Mr. de la Vega 66,685, Mr. Stankey 50,216, Mr. Stephens 200,754, and Mr. Watts 22,597, and all executive officers and Directors as a group 1,431,577. In addition, of the shares shown in the table above, the following persons share voting and investment power with other persons with respect to the following numbers of shares: Mr. Chico Pardo 50,000, Mr. Hutchins 103,322, Mr. Madonna 14,573, Mr. McCallister 290, Ms. Mooney 2,600, Mr. Rose 113,000, Mr. Stephenson 861,681, Mr. Stankey 388,145, Mr. Stephens 237,836, and Mr. Watts 165,758.

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Related Person Transactions

2. *Represents number of vested stock units held by the Director or executive officer, where each stock unit is equal in value to one share of AT&T stock. The stock units are paid in stock or cash depending upon the plan and the election of the participant at times specified by the relevant plan. None of the stock units listed may be converted into common stock within 60 days of the date of this table. As noted under Compensation of Directors, AT&T's plans permit non-employee Directors to acquire stock units (also referred to as deferred stock units) by deferring the receipt of fees and retainers into stock units and through a yearly grant of stock units. Officers may acquire stock units by participating in stock-based compensation deferral plans. Certain of the Directors also hold stock units issued by companies prior to their acquisition by AT&T that have been converted into AT&T stock units. Stock units carry no voting rights.*

[Related Person Transactions](#)

Under the rules of the SEC, public issuers, such as AT&T, must disclose certain Related Person Transactions. These are transactions in which the Company is a participant where the amount involved exceeds \$120,000, and a Director, executive officer or holder of more than 5% of our common stock has a direct or indirect material interest.

AT&T has adopted a written policy requiring that each Director or executive officer involved in such a transaction notify the Corporate Governance and Nominating Committee and that each such transaction be approved or ratified by the Committee.

In determining whether to approve a Related Person Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Person Transaction:

whether the terms of the Related Person Transaction are fair to the Company and on the same basis as would apply if the transaction did not involve a related person,

whether there are business reasons for the Company to enter into the Related Person Transaction,

whether the Related Person Transaction would impair the independence of an outside director, and

whether the Related Person Transaction would present an improper conflict of interest for any of our Directors or executive officers, taking into account the size of the transaction, the overall financial position of the Director, executive officer or other related person, the direct or indirect nature of the Director's, executive officer's or other related person's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the Committee deems relevant.

A Related Person Transaction entered into without the Committee's pre-approval will not violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

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Board of Directors

[Board of Directors](#)

The Role of the Board

The Board of Directors is responsible for our management and direction and for establishing broad corporate policies. In addition, the Board of Directors and various committees of the Board regularly meet to receive and discuss operating and financial reports presented by the Chairman of the Board and Chief Executive Officer and other members of management as well as reports by experts and other advisors. Corporate review sessions are also offered to Directors to give them more detailed views of our businesses and matters that affect our businesses, corporate opportunities, technology, and operations.

Assessing and managing risk is the responsibility of the management of AT&T. The Board of Directors oversees and reviews certain aspects of the Company's risk management efforts. Annually, the Board reviews the Company's strategic business plans, which includes evaluating the competitive, technological, economic and other risks associated with these plans.

In addition, under its charter, the Audit Committee reviews and discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. This includes, among other matters, evaluating risk in the context of financial policies, counterparty and credit risk, and the appropriate mitigation of risk, including through the use of insurance where appropriate. Members of the Company's finance, internal audit and compliance organizations are responsible for managing risk in their areas and reporting regularly to the Audit Committee.

The Company's senior internal auditing executive and Chief Compliance Officer each meet annually in executive session with the Audit Committee. The senior internal auditing executive and Chief Compliance Officer review with the Audit Committee each year's annual internal audit and compliance risk assessment, which is focused on significant financial, operating, regulatory and legal matters. The Audit Committee also receives regular reports on completed internal audits of these significant risk areas.

Members of the Board are expected to attend Board meetings in person, unless the meeting is held by teleconference. The Board held ten meetings in 2014. All of the Directors attended at least 75% of the total number of meetings of the Board and Committees on which each served. Directors are also expected to attend the Annual Meeting of Stockholders. All Directors were present at the 2014 Annual Meeting.

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Board of Directors

Board Leadership Structure

The non-management members of the Board of Directors meet in executive session (without management Directors or management personnel present) at least four times per year. The Lead Director, who is appointed for a two-year term, presides over these sessions. Joyce M. Roché currently serves as Lead Director; her term is scheduled to expire January 31, 2017.

Responsibilities of the Lead Director include:

presiding at meetings of the Board at which the chairman is not present;

presiding at executive sessions of the non-management Directors;

preparing the agenda for the executive sessions of the non-management Directors;

acting as the principal liaison between the non-management Directors and the Chairman and Chief Executive Officer;

coordinating the activities of the non-management Directors when acting as a group;

approving the agenda for each Board meeting;

approving meeting schedules to ensure there is sufficient time for discussion of all agenda items;
advising the Chairman and Chief Executive Officer as to the quality, quantity and timeliness of the flow of information from management, including the materials provided to Directors at Board meetings;

if requested by major stockholders, ensuring that he or she is available for consultation and direct communication and acting as a contact for other interested persons;

sharing with other Directors as he or she deems appropriate letters and other contacts that he or she receives;
and

contacting management to obtain such additional information relating to contacts by interested persons as he or she may require from time to time.

In addition, the Lead Director may:

call meetings of the non-management Directors in addition to the quarterly meetings, and require information relating to any matter be distributed to the Board.

Randall Stephenson currently serves as both Chairman of the Board and Chief Executive Officer. The Board believes that having Mr. Stephenson serve in both capacities is in the best interests of AT&T and its stockholders because it enhances communication between the Board and management and allows Mr. Stephenson to more effectively execute the Company's strategic initiatives and business plans and confront its challenges. The Board believes that the appointment of a strong independent Lead Director and the use of regular executive sessions of the non-management Directors, along with the Board's strong committee system and substantial majority of independent Directors, allow it to maintain effective oversight of management.

Communicating with the Board

Interested persons may contact the Lead Director or the non-management Directors by sending written comments through the Office of the Secretary of AT&T Inc., 208 S. Akard Street, Suite 3241, Dallas, Texas 75202. The Office will either forward the original materials as addressed or provide Directors with summaries of the submissions, with the originals available for review at the Directors' request.

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Board of Directors

Criteria and Process for Nominating Directors

The Corporate Governance and Nominating Committee is responsible for identifying candidates who are eligible under the qualification standards set forth in our Corporate Governance Guidelines to serve as members of the Board. The Committee is authorized to retain search firms and other consultants to assist it in identifying candidates and fulfilling its other duties. The Committee is not limited to any specific process in identifying candidates and will consider candidates whom stockholders suggest. Candidates are recommended to the Board after consultation with the Chairman of the Board.

In recommending Board candidates, the Committee considers a candidate's:

general understanding of elements relevant to the success of a large publicly traded company in the current business environment,

understanding of our business, and

educational and professional background.

The Committee also gives consideration to a candidate's judgment, competence, anticipated participation in Board activities, experience, geographic location, and special talents or personal attributes. Although the Committee does not have a formal diversity policy, it believes that diversity is an important factor in determining the composition of the Board. Stockholders who wish to suggest qualified candidates should write to the Senior Vice President and Secretary, AT&T Inc., 208 S. Akard Street, Suite 3241, Dallas, Texas 75202, stating in detail the qualifications of the persons proposed for consideration by the Committee.

Composition of the Board

Under our Bylaws, the Board of Directors has the authority to determine the size of the Board and to fill vacancies. Currently, the Board is comprised of 15 Directors, one of whom is an executive officer of AT&T. We have included biographical information about each continuing Director on pages 16-21. Holdings of AT&T common stock by AT&T Directors are shown on the table on page 5. Under AT&T's Corporate Governance Guidelines, a Director will not be nominated for re-election if the Director would be 72 or older at the time of the election.

The Board of Directors has nominated the 12 persons listed in this Proxy Statement, beginning on page 16, for election as Directors. Each of the nominees is an incumbent Director of AT&T recommended for re-election by the Corporate Governance and Nominating Committee. Reuben V. Anderson, Jaime Chico Pardo, and James P. Kelly will not stand for re-election at the 2015 Annual Meeting. The Board has voted to reduce its size to 12 Directors effective immediately before the meeting. There are no vacancies on the Board.

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Board Committees

From time to time the Board establishes permanent standing committees and temporary special committees to assist the Board in carrying out its responsibilities. The Board has established six standing committees of Directors, the principal responsibilities of which are described below. The charters for each of these committees may be found on our website at www.att.com.

| Current Committees | | | | | | |
|------------------------------------|-----------|---|--|------------------|--------------------|---|
| | Audit | Corporate Development and Finance | Corporate Governance and Nominating | Executive | Human Resources | Public Policy and Corporate Reputation |
| Meetings in 2014 | 12 | 6 | 5 | 0 | 6 | 3 |
| Committee | | | | | | |
| Member | | | | | | |
| Randall L. Stephenson | | | | C | | |
| Reuben V. Anderson* | | | | | | C |
| Jaime Chico Pardo* | | | | | | |
| Scott T. Ford | | C | | | | |
| Glenn H. Hutchins | | | | | | |
| James P. Kelly* | n | | | | | |
| William E. Kennard | | | | | | |
| Jon C. Madonna | C n | | | | | |
| Michael B. McCallister | | | | | | |
| John B. McCoy | | | C | | | |
| Beth E. Mooney | | | | | | |
| Joyce M. Roché | | | | | C | |
| Matthew K. Rose | | | | | | |
| Cynthia B. Taylor | n | | | | | |
| Laura D. Andrea Tyson | | | | | | |
| *Retiring effective April 24, 2015 | | | n | Financial Expert | | Member |
| C Chair | | | | | | |

Primary Responsibilities and Additional Information

Audit

Consists of six independent Directors. Oversees the integrity of our financial statements, the independent auditor's qualifications and independence, the performance of the internal audit function and independent auditors, and our compliance with legal and regulatory matters, including environmental matters. Responsible for the appointment, compensation, retention and oversight of the work of the independent auditor. The independent auditor audits the financial statements of AT&T and its subsidiaries.

Executive

Consists of the Chairman of the Board and the chairmen of our five other standing committees. Established to assist the Board by acting upon matters when the Board is not in session. Has full power and authority of the Board to the extent permitted by law, including the power and authority to declare a dividend or to authorize the issuance of common stock.

Corporate Development and Finance

Consists of four independent Directors. Assists the Board in its oversight of our finances, including recommending the payment of dividends and reviewing the management of our debt and investment of our cash reserves. Reviews mergers, acquisitions, dispositions and similar transactions; reviews corporate strategy and recommends or approves transactions and investments; reviews and makes recommendations about the capital structure of the Company and the evaluation, development and implementation of key technology decisions.

Human Resources

Consists of four independent Directors. Oversees the compensation practices of AT&T, including the design and administration of employee benefit plans. Responsible for establishing the compensation of the Chief Executive Officer and the other executive officers, establishing stock ownership guidelines for officers and developing a management succession plan.

Corporate Governance and Nominating

Consists of six independent Directors. Responsible for recommending candidates to be nominated by the Board for election by the stockholders, or to be appointed by the Board of Directors to fill vacancies, consistent with the criteria approved by the Board, and recommending committee assignments. Periodically assesses AT&T's Corporate Governance Guidelines and makes recommendations to the Board for amendments and also recommends to the Board the compensation of Directors. Takes a leadership role in shaping corporate governance and oversees an annual evaluation of the Board.

Public Policy and Corporate Reputation

Consists of five independent Directors. Assists the Board in its oversight of policies related to corporate social responsibility, as well as political and charitable contributions. Oversees the Company's management of its brands and reputation.

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Board of Directors

Independence of Directors

Our Corporate Governance Guidelines require that a substantial majority of our Board of Directors consist of independent Directors. In addition, the New York Stock Exchange (*NYSE*) Listing Standards require a majority of the Board and every member of the Audit Committee, Human Resources Committee, and Corporate Governance and Nominating Committee to be independent. For a Director to be independent under the NYSE standards, the Board must affirmatively determine that the Director has no material relationship with AT&T, either directly or as a partner, shareholder or officer of an organization that has a relationship with AT&T, other than in his or her capacity as a Director of AT&T. In addition, the Director must meet certain independence standards specified by the NYSE as well as the additional standards referenced in our Corporate Governance Guidelines (found at www.att.com).

Using these standards for determining the independence of its members, the Board has determined that the following Directors are independent: Reuben V. Anderson, Jaime Chico Pardo, Scott T. Ford, Glenn H. Hutchins, James P. Kelly, William E. Kennard, Jon C. Madonna, Michael B. McCallister, John B. McCoy, Beth E. Mooney, Joyce M. Roché, Matthew K. Rose, Cynthia B. Taylor, and Laura D. Andrea Tyson. In addition, each member of the Audit Committee, the Corporate Governance and Nominating Committee, and the Human Resources Committee is independent.

In determining the independence of the Directors, the Board considered the following commercial relationships between AT&T and companies at which our Directors serve as officers: payments by AT&T for the use of rights of way and facilities at Burlington Northern Santa Fe, LLC, where Mr. Rose serves as CEO; and interest paid by AT&T on receivables factored through KeyCorp, where Ms. Mooney serves as CEO. In addition, each of the foregoing companies as well as each of the entities where Mr. Anderson, Mr. Ford, and Ms. Taylor serve as partners or executive officers purchased communications services from subsidiaries of AT&T. In each case for the year 2014:

The relevant products and services were provided by AT&T or to AT&T on terms determined on an arm's-length basis that were comparable to the terms provided to or by similarly situated customers or suppliers;

The transactions were made in the ordinary course of business of each company; and

The total payments by AT&T to the Director's company (for rights of way or for interest) or to AT&T by the Director's company (for communications services) were each substantially less than 1% of the consolidated gross revenues of each of AT&T and the other company. This level is significantly below the maximum amount permitted under the NYSE listing standards for director independence (i.e., 2% of consolidated gross revenues).

Compensation of Directors

The compensation of Directors is determined by the Board with the advice of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is composed entirely of independent Directors. None of our employees serve on this Committee. The Committee's current members are John B. McCoy (Chairman), Reuben V. Anderson, James P. Kelly, Jon C. Madonna, Joyce M. Roché, and Matthew K. Rose. Under its charter (available on our website at www.att.com), the Committee periodically, and at least every two years, reviews the compensation and benefits provided to Directors for their service and makes recommendations to the Board for changes. This includes not only Director retainers and fees, but also Director compensation and benefit plans.

The Committee's charter authorizes the Committee to employ independent compensation and other consultants to assist in fulfilling its duties. From time to time, the Committee engages a compensation consultant to advise the Committee and to provide information regarding director compensation paid

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by other public companies, which may be used by the Committee to make compensation recommendations to the Board. In addition, the Chief Executive Officer may make recommendations to the Committee or the Board about types and amounts of appropriate compensation and benefits for Directors.

Directors who are employed by us or one of our subsidiaries receive no separate compensation for serving as Directors or as members of Board committees. Non-employee Directors receive an annual retainer of \$95,000, together with \$2,000 for each Board meeting or corporate strategy session attended. Committee members receive \$1,700 for each committee meeting attended, except that members of the Audit and Human Resources Committees receive \$2,000 for each meeting attended in person. The Chairman of each committee receives an additional annual retainer of \$15,000, except for the Chairmen of the Audit and Human Resources Committees, each of whom receives an additional annual retainer of \$25,000. The Lead Director receives an additional annual retainer of \$60,000. Directors may invest all or half of their retainers in AT&T common stock under the Non-Employee Director Stock Purchase Plan.

Additionally, directors may defer the receipt of their fees and all or part of their retainers into either deferred stock units or into a cash deferral account under the Non-Employee Director Stock and Deferral Plan. Each deferred stock unit is equivalent to a share of common stock and earns dividend equivalents in the form of additional deferred stock units. Directors purchase the deferred stock units at the fair market value of AT&T common stock. Deferred stock units are paid in cash in a lump sum or in up to 15 annual installments, at the Director's election, after the Director ceases service with the Board. In addition, under the plan each non-employee Director annually receives \$150,000 in the form of deferred stock units. The annual grants are fully earned and vested at issuance.

Deferrals into the cash deferral account under the Non-Employee Director Stock and Deferral Plan earn interest during the calendar year at a rate equal to the Moody's Long-Term Corporate Bond Yield Average for September of the preceding year (*Moody's Rate*). Directors may annually choose to convert their cash deferral accounts into deferred stock units at the fair market value of our stock at the time of the conversion.

Upon our acquisition of BellSouth Corporation on December 29, 2006, certain of the former BellSouth Directors joined our Board. These Directors had previously made cash- and stock-based deferrals under the BellSouth Corporation Directors' Compensation Deferral Plan, which was no longer offered after 2006. These deferrals are paid out in accordance with the Directors' elections. Cash deferrals earn a rate of interest equal to Moody's Monthly Average of Yields of AA Corporate Bonds for the previous July, while earnings on deferrals in the form of stock units are reinvested in additional deferred stock units at the fair market value of the underlying stock.

In addition, under the BellSouth Nonqualified Deferred Compensation Plan (which was offered to BellSouth Directors prior to its acquisition), Directors were permitted to make up to five annual deferrals of up to 100% of their compensation. For deferrals made for the 1995 and 1996 plan years, the plan returned the original deferred amount in the 7th year after the deferral year. Interim distributions were not made with respect to deferrals in subsequent periods. For deferrals made for the 1995 through 1999 plan years, Directors received fixed interest rates of 16%, 12.7%, 12.8%, 12.4% and 11.8%, respectively. Distributions are made at times elected by the Directors. BellSouth discontinued offering new deferrals beginning in 2000.

To the extent earnings on cash deferrals under the Non-Employee Director Stock and Deferral Plan, the BellSouth Corporation Directors Compensation Deferral Plan or the BellSouth Nonqualified Deferred Compensation Plan exceed the interest rate specified by the Securities and Exchange Commission (SEC) for disclosure purposes, they are included in the Director Compensation table on page 13 under the heading Nonqualified Deferred Compensation Earnings.

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Non-employee Directors may receive communications equipment and services pursuant to the AT&T Board of Directors Communications Concession Program. The equipment and services that may be provided to a Director, other than at his or her primary residence, may not exceed \$25,000 per year. All concession services must be provided by AT&T affiliates, except that the Director may use another provider for the Director's primary residence if it is not served by an AT&T affiliate.

The following table contains information regarding compensation provided to each person who served as a Director during 2014 (excluding Mr. Stephenson, whose compensation is included in the Summary Compensation Table and related tables and disclosure).

| Director Compensation | | | | | |
|------------------------------|--|----------------------------|---|-----------------------------------|--------------|
| Name | Fees Earned or Paid in Cash (1) | Stock Awards (2)(3) | Non-Qualified Deferred Compensation Earnings (4) | All Other Compensation (5) | Total |
| | (\$) | (\$) | (\$) | (\$) | (\$) |
| Reuben V. Anderson | 200,600 | 150,000 | 92,701 | 102 | 443,403 |
| James H. Blanchard (6) | 54,467 | 0 | 45,363 | 261,469 | 361,299 |
| Jaime Chico Pardo | 143,800 | 150,000 | 0 | 15,102 | 308,902 |
| Scott T. Ford | 137,900 | 150,000 | 0 | 102 | 288,002 |
| Glenn H. Hutchins (6) | 74,217 | 0 | 0 | 26,330 | 100,546 |
| James P. Kelly | 140,000 | 150,000 | 0 | 102 | 290,102 |
| William E. Kennard (6) | 19,833 | 0 | 0 | 17 | 19,850 |
| Jon C. Madonna | 172,100 | 150,000 | 0 | 102 | 322,202 |
| Michael B. McCallister | 142,000 | 150,000 | 0 | 17,876 | 309,876 |
| John B. McCoy | 151,900 | 150,000 | 0 | 15,102 | 317,002 |
| Beth E. Mooney | 130,600 | 150,000 | 0 | 102 | 280,702 |
| Joyce M. Roché | 157,600 | 150,000 | 0 | 13,646 | 321,246 |
| Matthew K. Rose | 134,600 | 150,000 | 0 | 22,064 | 306,664 |
| Cynthia B. Taylor | 147,400 | 150,000 | 0 | 5,102 | 302,502 |
| Laura D. Andrea Tyson | 144,000 | 150,000 | 5,498 | 102 | 299,600 |

1. The following table shows the number of deferred stock units purchased in 2014 by each Director under the Non-Employee Director Stock and Deferral Plan.

| Director | Deferred Stock Units Purchased in 2014 | Director | Deferred Stock Units Purchased in 2014 |
|--------------------|---|-----------------------|---|
| Reuben V. Anderson | 4,710 | Beth E. Mooney | 2,379 |
| Scott T. Ford | 3,954 | Matthew K. Rose | 3,867 |
| James P. Kelly | 1,280 | Laura D. Andrea Tyson | 1,403 |
| John B. McCoy | 4,311 | | |

In addition, Mr. Chico purchased 2,054 shares, Mr. McCallister purchased 1,361 shares, Ms. Roché purchased 1,721 shares, and Ms. Taylor purchased 2,725 shares of AT&T common stock in 2014 under the Non-Employee Director Stock Purchase Plan.

2. *This represents an annual grant of deferred stock units that are immediately vested, valued using the grant date value in accordance with FASB ASC Topic 718, and deferred. The deferred stock units will be paid out in cash after the Director ceases his or her service with the Board at the times elected by the Director.*
3. *At December 31, 2014, Mr. Blanchard and Mr. Kelly held 11,789 options and 9,767 options, respectively, that were originally granted by BellSouth Corporation while they served on the BellSouth Board before its 2006 acquisition by AT&T Inc.*
4. *Amounts shown represent the excess, if any, of the actual rates used to determine earnings on deferred compensation over the market interest rates determined pursuant to SEC rules.*
5. *Other compensation includes charitable matching contributions of up to \$15,000 made by the AT&T Foundation on behalf of Directors and employees under the AT&T Higher Education/Cultural Matching Gift Program. Charitable contributions were made on the Directors' behalf under this program as follows: Mr. Chico \$15,000, Mr. Hutchins \$15,000, Mr. McCoy \$15,000, Ms. Roché \$13,544, Mr. Rose \$10,000, and Ms. Taylor \$5,000. In addition, a charitable contribution of \$250,000 was made on behalf of Mr. Blanchard in connection with his retirement from the Board. Other compensation also includes up to \$102 per Director in group life insurance premiums. This column also includes personal benefits for Directors that equal or exceed \$10,000, which for 2014 consisted of communications equipment and services provided under the AT&T Board of Directors Communications Concession Program (described on page 13) to Mr. Blanchard (\$7,387), Mr. Hutchins (\$11,273), Mr. McCallister (\$17,768), and Mr. Rose (\$11,956) and a retirement gift given to Mr. Blanchard (\$4,048).*
6. *Mr. Blanchard retired from the Board in April 2014. Mr. Hutchins joined the Board in June 2014. Mr. Kennard joined the Board in November 2014.*

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Agenda Items to be Voted Upon

[Agenda Items To Be Voted Upon](#)

Each share of AT&T common stock represented at the Annual Meeting is entitled to one vote on each matter properly brought before the meeting. All matters, except as provided below, are determined by a majority of the votes cast, unless a greater number is required by law or our Certificate of Incorporation for the action proposed. A majority of votes cast means the number of votes cast for a matter exceeds the number of votes cast against such matter.

In the election of Directors, each Director is elected by the vote of the majority of the votes cast with respect to that Director's election. Under our Bylaws, if a nominee for Director is not elected and the nominee is an existing Director standing for re-election (or *incumbent* Director), the Director must promptly tender his or her resignation to the Board, subject to the Board's acceptance. The Corporate Governance and Nominating Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board will act on the tendered resignation, taking into account the Corporate Governance and Nominating Committee's recommendation, and publicly disclose (by a press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Corporate Governance and Nominating Committee in making its recommendation and the Board of Directors in making its decision may each consider any factors or other information that they consider appropriate and relevant. Any Director who tenders his or her resignation as described above will not participate in the recommendation of the Corporate Governance and Nominating Committee or the decision of the Board of Directors with respect to his or her resignation.

If the number of persons nominated for election as Directors as of ten days before the record date for determining stockholders entitled to notice of or to vote at such meeting shall exceed the number of Directors to be elected, then the Directors shall be elected by a plurality of the votes cast. Because no persons other than the incumbent Directors have been nominated for election at the 2015 Annual Meeting, each nominee must receive a majority of the votes cast for that nominee to be elected to the Board.

The advisory vote on executive compensation is non-binding, and the preference of the stockholders will be determined by the choice receiving the greatest number of votes.

All other matters at the 2015 Annual Meeting will be determined by a majority of the votes cast. Shares represented by proxies marked abstain with respect to the proposals described on the proxy card and by proxies marked to deny discretionary authority on other matters will not be counted in determining the vote obtained on such matters. If the proxy is submitted and no voting instructions are given, the person or persons designated on the card will vote the shares for the election of the Board of Directors' nominees and in accordance with the recommendations of the Board of Directors on the other subjects listed on the proxy card and at their discretion on any other matter that may properly come before the meeting.

Under the rules of the NYSE, on certain routine matters, brokers may, at their discretion, vote shares they hold in street name on behalf of beneficial owners who have not returned voting instructions to the brokers. On all other matters, brokers are prohibited from voting uninstructed shares. In instances where brokers are prohibited from exercising discretionary authority (so-called *broker non-votes*), the shares they hold are not included in the vote totals.

At the 2015 Annual Meeting, brokers will be prohibited from exercising discretionary authority with respect to each of the matters submitted, other than the ratification of the auditors. As a result, for each of the matters upon which the brokers are prohibited from voting, the broker non-votes will have no effect on the results.

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Agenda Items to be Voted Upon

The Board of Directors is not aware of any matters that will be presented at the meeting for action on the part of stockholders other than those described in this Proxy Statement.

Management Proposals (Item Nos. 1 through 3)

[Item 1. Election of Directors](#)

The following persons, each of whom is currently a Director of AT&T, have been nominated by the Board of Directors on the recommendation of the Corporate Governance and Nominating Committee for election to one-year terms of office that would expire at the 2016 Annual Meeting. In making these nominations, the Board reviewed the background of the nominees (each nominee's biography is set out below) and determined to nominate each of the current Directors for re-election, other than the retiring Directors.

The Board believes that each nominee has valuable individual skills and experiences that, taken together, provide us with the variety and depth of knowledge, judgment and vision necessary to provide effective oversight of a large and varied enterprise like AT&T. As indicated in the following biographies, the nominees have significant leadership skills and extensive experience in a variety of fields, including telecommunications, technology, public accounting, health care, education, economics, financial services, law, consumer marketing, transportation and logistics, government service, public policy, academic research, and consulting and nonprofit organizations, each of which the Board believes provides valuable knowledge about important elements of AT&T's business. A number of the nominees also have extensive experience in international business and affairs, which the Board believes affords it an important global perspective in its deliberations.

If one or more of the nominees should at the time of the meeting be unavailable or unable to serve as a Director, the shares represented by the proxies will be voted to elect the remaining nominees and any substitute nominee or nominees designated by the Board. The Board knows of no reason why any of the nominees would be unavailable or unable to serve.

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Agenda Items to be Voted Upon

The Board recommends you vote FOR each of the following candidates:

RANDALL L. STEPHENSON

Chairman of the Board, Chief Executive Officer and President of AT&T Inc.

Age: 54

Director since: 2005
Committees:

Executive (Chair)

Mr. Stephenson has served in the above capacity since 2007. He has held a variety of high-level finance, operational, and marketing positions with AT&T, including serving as Chief Operating Officer from 2004 until his appointment as Chief Executive Officer in 2007 and as Chief Financial Officer from 2001 to 2004. He began his career with the Company in 1982. Mr. Stephenson received his B.S. in accounting from Central State University (now known as the University of Central Oklahoma) and earned his Master of Accountancy degree from the University of Oklahoma.

Qualifications: Mr. Stephenson's qualifications to serve on the Board include his more than 30 years of experience in the telecommunications industry, his intimate knowledge of our Company and its history, his expertise in finance and operations management, and his years of executive leadership experience across various divisions of our organization, including serving as Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Senior Vice President of Finance, and Senior Vice President of Consumer Marketing.

Other Directorships: Emerson Electric Co.

SCOTT T. FORD

Member and Chief Executive Officer of Westrock Group, LLC

(a privately-held commodity trading firm in Little Rock, AR)

Age: 52

Director since: 2012

Committees:

Corporate
Development and
Finance (Chair)

Executive

Human Resources

Mr. Ford founded Westrock Group in 2013 and has served in the above capacity since its inception. Westrock Group operates Westrock Coffee Company (a coffee exporter, trader, importer, and roaster), founded by Mr. Ford in 2009 and Westrock Trading, LLC (a commodity trading business), founded by Mr. Ford in 2011. Mr. Ford previously served as President and Chief Executive Officer of Alltel Corporation (a provider of wireless voice and data communications services) from 2002 to 2009, and served as an executive member of Alltel Corporation's board of directors from 1996 to 2009. He also served as Alltel Corporation's President and Chief Operating Officer from 1998 to 2002. Mr. Ford led Alltel through several major business transformations, culminating with the sale of the company to Verizon Wireless in 2009. Mr. Ford received his B.S. in finance from the University of Arkansas, Fayetteville.

Qualifications: Mr. Ford's qualifications to serve on the Board include his extensive experience and expertise in the telecommunications industry, his strong strategic focus and his leadership experience in the oversight of a large, publicly traded company, all of which bring valuable contributions to AT&T's strategic planning and industry competitiveness.

Other Directorships: Bear State Financial, Inc.

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Agenda Items to be Voted Upon

Age: 59
 Director since:
 June 2014
 Committees:
 Corporate Development and Finance

GLENN H. HUTCHINS

Co-Founder of Silver Lake

(a technology investment firm based in New York, NY and Menlo Park, CA)

Mr. Hutchins is a Co-Founder and former Co-CEO of Silver Lake and served as Managing Director of Silver Lake from 1999 to 2012. Since 2005, he has also been Chairman of the Board of SunGard Data Systems Inc. (a software and technology services company). He is also a Director of the Federal Reserve Bank of New York and Vice Chairman of the Brookings Institution. Mr. Hutchins is a Director of the Harvard Management Company, which is responsible for the University's endowment. Previously, Mr. Hutchins served as a Special Advisor in the White House on economic and health-care policy from 1993 to 1994 and as Senior Advisor on the transition of the Administration from 1992 to 1993. He holds an A.B. from Harvard College, an M.B.A. from Harvard Business School, and a J.D. from Harvard Law School.

Qualifications: Mr. Hutchins' qualifications to serve on our Board include his extensive experience and expertise in the technology and financial sectors, his public policy experience, and his strong strategic focus, all of which enable him to provide valuable financial and strategic insight to AT&T.

Other Directorships: NASDAQ OMX Group, Inc.

Age: 58

WILLIAM E. KENNARD

Former United States Ambassador to the European Union and former Chairman of the Federal Communications Commission

| | |
|---|---|
| Director since: November 2014 | Mr. Kennard served as the United States Ambassador to the European Union from 2009 to 2013. From 2001 to 2009, Mr. Kennard was Managing Director of The Carlyle Group, a global private equity firm, where he led investments in the telecommunications and media sectors. Mr. Kennard served as Chairman of the U.S. Federal Communications Commission from 1997 to 2001. Before his appointment as FCC Chairman, he served as the FCC's General Counsel from 1993 until 1997. Mr. Kennard joined the FCC from the law firm of Verner, Liipfert, Bernhard, McPherson and Hand (now DLA Piper) where he was a partner and member of the firm's board of directors. Mr. Kennard received his B.A. in communications from Stanford University and earned his law degree from Yale Law School. |
| Committees: Public Policy and Corporate Reputation | |

Qualifications: Mr. Kennard's qualifications to serve on our Board include his expertise in the telecommunications industry, his understanding of public policy, and his international perspective, as well as his background and experience in regulatory matters, all strong attributes for the Board of AT&T.

Other Directorships: Duke Energy Corporation; Ford Motor Company; MetLife, Inc.

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Agenda Items to be Voted Upon

JON C. MADONNA

Retired Chairman and Chief Executive Officer of KPMG

(an international accounting and consulting firm in New York, NY)

Age: 71

Director since: 2005

Committees:

Audit (Chair)

Corporate Governance
and Nominating

Executive

Mr. Madonna served as Chairman and Chief Executive Officer of KPMG from 1990 until his retirement in 1996. He was with KPMG for 28 years where he held numerous senior leadership positions. Subsequent to his retirement from KPMG, Mr. Madonna served as Vice Chairman of Travelers Group, Inc. from 1997 to 1998 and President and Chief Executive Officer of Carlson Wagonlit Corporate Travel, Inc. from 1999 to 2000. He was Chief Executive Officer of DigitalThink, Inc. (an e-commerce company) from 2001 to 2002 and served as its Chairman from 2002 to 2004. Mr. Madonna received his B.S. in accounting from the University of San Francisco. Mr. Madonna served as a Director of AT&T Corp. from 2002 until the company was acquired by AT&T Inc. (then known as SBC Communications Inc.) in 2005.

Qualifications: Mr. Madonna's qualifications to serve on the Board include his executive leadership skills, his vast experience in public accounting with a major accounting firm, and his experience in international business and affairs, all strong attributes for the Board of AT&T. His qualifications also include his prior service on the board of a telecommunications company that we acquired.

Other Directorships: Freeport-McMoRan Copper & Gold Inc.

Past Directorships: Tidewater Inc. (1999-2013)

MICHAEL B. McCALLISTER

Retired Chairman of the Board and Chief Executive Officer of Humana Inc.

(a health care company in Louisville, KY)

Age: 62

Director since: 2013

Committees:

Audit

Public Policy and
Corporate Reputation

Mr. McCallister served as Chairman from 2010 to 2013, having also served as Chief Executive Officer of Humana from 2000 until his retirement in 2012. During Mr. McCallister's tenure, he led Humana through significant expansion and growth, nearly quadrupling its annual revenues between 2000 and 2012, and led the company to become a FORTUNE 100 company. Mr. McCallister received his B.S. in accounting from Louisiana Tech University and earned his M.B.A. in finance from Pepperdine University.

Qualifications: Mr. McCallister's qualifications to serve on the Board include his executive leadership experience in the oversight of a large, publicly traded company and his depth of experience in the health care sector, which is of increasing importance to a company like AT&T.

Other Directorships: Fifth Third Bancorp; Zoetis Inc.

Past Directorships: Humana Inc. (2000-2013)

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Age: 71
 Director since: 1999
 Committees:
 Corporate Governance and Nominating (Chair)
 Executive
 Human Resources

JOHN B. McCOY

Retired Chairman and Chief Executive Officer of Bank One Corporation

(a commercial and consumer bank based in Chicago, IL)

Mr. McCoy served as Chairman from 1999 and Chief Executive Officer from 1998 of Bank One Corporation until his retirement in 1999. He was Chairman and Chief Executive Officer of its predecessor, Banc One Corporation, from 1987 to 1998 and prior to that served as President and Chief Executive Officer from 1984 to 1987 and as President from 1977 to 1984. Mr. McCoy received his B.A. in history from Williams College and earned his M.B.A. in finance from Stanford University's Graduate School of Business. Mr. McCoy served as a Director of Ameritech Corporation from 1991 until the company was acquired by AT&T (then known as SBC Communications Inc.) in 1999.

Qualifications: Mr. McCoy's qualifications to serve on the Board include his executive leadership experience in overseeing large organizations and his vast knowledge of consumer banking and financial services, all of which enable him to provide valuable insight to a large, publicly traded company like AT&T. His qualifications also include his eight years of service on the board of a telecommunications company that we acquired.

Other Directorships: Onex Corporation

Age: 60

BETH E. MOONEY

Chairman and Chief Executive Officer of KeyCorp

(a bank holding company in Cleveland, OH)

Director since: 2013

Committees:

Corporate
Development and
Finance

Public Policy and
Corporate Reputation

Ms. Mooney has served in the above capacity since 2011. She previously served as KeyCorp's President and Chief Operating Officer from 2010 to 2011. Ms. Mooney joined KeyCorp in 2006 as a Vice Chair and head of Key Community Bank. Prior to joining KeyCorp, beginning in 2000 she served as Senior Executive Vice President at AmSouth Bancorporation (now Regions Financial Corporation), where she also became Chief Financial Officer in 2004. Prior to joining AmSouth Bancorporation, Ms. Mooney completed line assignments of increasing responsibility at Bank One Corporation, Citicorp Real Estate, Inc., Hall Financial Group and Republic Bank of Texas/First Republic. She received her B.A. in history from the University of Texas at Austin and earned her M.B.A. from Southern Methodist University.

Qualifications: Ms. Mooney's qualifications to serve on the Board include her executive leadership skills in the oversight of a large, publicly traded and highly-regulated company and her more than 30 years of experience in the banking and financial services industry, which bring valuable financial and strategic insight to AT&T.

Other Directorships: KeyCorp

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Age: 67
 Director since: 1998
 Committees:
 Corporate Governance and Nominating
 Executive
 Human Resources (Chair)

JOYCE M. ROCHE

Author and Retired President and Chief Executive Officer of Girls Incorporated

(a national nonprofit research, education, and advocacy organization in New York, NY)

Ms. Roché served as President and Chief Executive Officer of Girls Incorporated from 2000 until her retirement in 2010. Ms. Roché was an independent marketing consultant from 1998 to 2000. She was President and Chief Operating Officer of Carson, Inc. from 1996 to 1998 and Executive Vice President of Global Marketing of Carson, Inc. from 1995 to 1996. Prior to that, Ms. Roché held various senior marketing positions, including Vice President of Global Marketing for Avon Products, Inc. from 1993 to 1994. Ms. Roché received her B.A. in math education from Dillard University and earned her M.B.A. in marketing from Columbia University. Ms. Roché served as a Director of Southern New England Telecommunications Corporation from 1997 until the company was acquired by AT&T (then known as SBC Communications Inc.) in 1998.

Qualifications: Ms. Roché’s qualifications to serve on the Board include her executive leadership experience and operations management skills in dealing with complex organizational issues. Her expertise in general management and consumer marketing are key benefits to AT&T. Her qualifications also include her prior service as a director of a telecommunications company that we acquired.

Other Directorships: Dr Pepper Snapple Group, Inc.; Macy’s, Inc.; and Tupperware Brands Corporation

MATTHEW K. ROSE

Chairman of the Board and Chief Executive Officer of Burlington Northern Santa Fe, LLC

Age: 55

(a freight rail system based in Fort Worth, TX)

Director since: 2010

Committees:

Corporate Governance
and Nominating

Human Resources

Mr. Rose has served in the above capacity since 2002, having also served as President of Burlington Northern Santa Fe, LLC (a subsidiary of Berkshire Hathaway Inc., formerly known as Burlington Northern Santa Fe Corporation) until 2010. Before serving as its Chairman, Mr. Rose held several leadership positions there and at its predecessors, including President and Chief Executive Officer from 2000 to 2002, President and Chief Operating Officer from 1999 to 2000, and Senior Vice President and Chief Operations Officer from 1997 to 1999. Mr. Rose also serves as Executive Chairman of BNSF Railway Company (a subsidiary of Burlington Northern Santa Fe, LLC), having served as Chairman and Chief Executive Officer from 2002 to 2013. He earned his B.S. in marketing from the University of Missouri.

Qualifications: Mr. Rose's qualifications to serve on the Board include his extensive experience in the executive oversight of a large, complex and highly-regulated organization, his considerable knowledge of operations management and logistics, and his experience and skill in managing complex regulatory and labor issues comparable to those faced by AT&T.

Other Directorships: BNSF Railway Company; Burlington Northern Santa Fe, LLC; and Fluor Corporation

Past Directorships: AMR Corporation (2004-2013)

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Agenda Items to be Voted Upon

Age: 53
Director since: 2013
Committees:
Audit
Corporate Development and Finance

CYNTHIA B. TAYLOR

President, Chief Executive Officer and a Director of Oil States International, Inc.

(a diversified solutions provider for the oil and gas industry in Houston, TX)

Ms. Taylor has served in the above capacity since 2007. She previously served as Oil States International, Inc.'s President and Chief Operating Officer from 2006 to 2007 and as its Senior Vice President-Chief Financial Officer from 2000 to 2006. Ms. Taylor was Chief Financial Officer of L.E. Simmons & Associates, Inc. from 1999 to 2000 and Vice President-Controller of Cliffs Drilling Company from 1992 to 1999, and prior to that, held various management positions with Ernst & Young LLP, a public accounting firm. She received her B.B.A. in accounting from Texas A&M University and is a Certified Public Accountant.

Qualifications: Ms. Taylor's qualifications to serve on the Board include her executive leadership skills in the oversight of a large, publicly traded company, her vast experience in finance and public accounting, and her experience in international business and affairs, all of which bring a broad spectrum of management experience to our Board.

Other Directorships: Oil States International, Inc.; Tidewater Inc.

Age: 67
Director since: 1999

LAURA D ANDREA TYSON

Professor of Business Administration and Economics at the Haas School of Business, University of California at Berkeley

Committees:

Audit

Public Policy and
Corporate Reputation

Dr. Tyson has served in the above capacity since 2007. She was S. K. and Angela Chan Professor of Global Management at the Haas School of Business, University of California at Berkeley, from 2008 until 2013 and was Dean of London Business School, London, England, from 2002 until 2006. She previously served as Dean of the Haas School of Business at the University of California at Berkeley from 1998 to 2001. She served as Professor of Economics and Business Administration at the University of California at Berkeley from 1997 to 1998. Dr. Tyson served as a member of the Secretary of State Foreign Affairs Policy Board from 2011 to 2013. She served as a member of the Council on Jobs and Competitiveness for the President of the United States from 2011 until 2013 and as a member of the Economic Recovery Advisory Board to the President of the United States from 2009 until 2011. She also served as National Economic Adviser to the President of the United States from 1995 to 1996 and as Chair of the White House Council of Economic Advisers from 1993 to 1995. Since 2008, Dr. Tyson has served as an adviser and faculty member of the World Economic Forum and a member of the World Economic Forum Global Agenda Council on Women's Empowerment. Dr. Tyson received her B.A. in economics from Smith College and earned her Ph.D. in economics at the Massachusetts Institute of Technology. Dr. Tyson served as a Director of Ameritech Corporation from 1997 until the company was acquired by AT&T (then known as SBC Communications Inc.) in 1999.

Qualifications: Dr. Tyson's qualifications to serve on the Board include her expertise in economics and public policy, her experience as an advisor in various business and political arenas, and her vast knowledge of international business and affairs, all strong attributes for the Board of AT&T. Her qualifications also include her prior service as a director of a telecommunications company that we acquired.

Other Directorships: CBRE Group, Inc.; Morgan Stanley; and Silver Spring Networks, Inc.

Past Directorships: Eastman Kodak Company (1997-2011)

Table of Contents*Agenda Items to be Voted Upon***[Item 2. Ratification of the Appointment of Ernst & Young LLP as Independent Auditors](#)**

This proposal would ratify the Audit Committee's appointment of Ernst & Young LLP to serve as independent auditors of AT&T for the fiscal year ending December 31, 2015. If stockholders do not ratify the appointment of Ernst & Young LLP, the Committee will reconsider the appointment. One or more members of Ernst & Young LLP are expected to be present at the Annual Meeting, will be able to make a statement if they so desire, and will be available to respond to appropriate questions.

The Board recommends you vote FOR this proposal.

[Item 3. Advisory Approval of Executive Compensation](#)

This proposal would approve the compensation of executive officers as disclosed in the Compensation Discussion and Analysis, the compensation tables, and the accompanying narrative disclosures (see pages 31 through 65). These sections describe our executive compensation program.

The Human Resources Committee is responsible for executive compensation and works to structure a balanced program that addresses the dynamic, global marketplace in which AT&T competes for talent. The Committee believes this program includes pay-for-performance, equity-based incentive programs, and rewards executives for results that are consistent with stockholder interests. The Committee asks that our stockholders approve the program.

AT&T has implemented a number of changes to its compensation and benefits program in recent years to better serve its stockholders. For more information on our best practices, please see the Compensation Discussion and Analysis beginning on page 31.

Guiding Pay Principles (discussed in detail on page 37)

Competitive and Market Based: Evaluate all components of our compensation and benefits program in light of appropriate comparator company practices to ensure we are able to attract, retain, and provide appropriate incentives for officers in a highly competitive talent market.

Pay for Performance: Tie a significant portion of compensation to the achievement of Company and business unit goals as well as recognize individual accomplishments that contribute to the Company's success.

Balanced Short- and Long-Term Focus: Ensure that compensation programs and packages provide an appropriate balance between the achievement of short- and long-term performance objectives, with a clear

emphasis on managing the sustainability of the business and mitigation of risk.

Alignment with Stockholders: Set performance targets and provide compensation elements that closely align executives' interests with those of stockholders. For example, performance shares make up nearly 33% of target compensation for the CEO and the Named Executive Officers and are tied to multi-year Company performance and the Company's stock price. In addition, AT&T has executive stock ownership guidelines and retention requirements, as described on page 49. Each of the Named Executive Officers exceeds the minimum stock ownership guidelines.

Alignment with Generally Accepted Approaches: Provide policies and programs that fit within the framework of generally accepted approaches adopted by leading major U.S. companies.

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Agenda Items to be Voted Upon

AT&T submits this proposal to stockholders on an annual basis. While this is a non-binding, advisory vote, the Committee intends to take into account the outcome of the vote when considering future executive compensation arrangements. AT&T is providing this vote as required pursuant to section 14A of the Securities Exchange Act.

The Board Recommends you vote FOR this proposal.

Stockholder Proposals (Item Nos. 4 through 6)

Certain stockholders have advised the Company that they intend to introduce at the 2015 Annual Meeting the proposals set forth below. The names and addresses of, and the number of shares owned by, each such stockholder will be provided upon request to the Senior Vice President and Secretary of AT&T.

[Item 4. Stockholder Proposal](#)

Political Spending Report

Resolved, that the shareholders of AT&T (Company) hereby request that the Company provide a report, updated semi-annually, disclosing the Company s:

1. Policies and procedures for expenditures made with corporate funds to trade associations and other tax-exempt entities that are used for political purposes (indirect political contributions or expenditures).
2. Indirect monetary and non-monetary expenditures used for political purposes, i.e., to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, and used in any attempt to influence the general public, or segments thereof, with respect to elections.

The report shall include:

- a. An accounting through an itemized report that includes the identity of the recipient as well as the amount paid to each recipient of the Company s funds that are used for political contributions or expenditures as described above; and
- b. The title(s) of the person(s) in the Company who participated in making the decisions to make the political contribution or expenditure.

The report shall be presented to the board of directors audit committee or other relevant oversight committee and posted on the Company s website.

Supporting Statement

As long-term AT&T shareholders, we support transparency and accountability in corporate spending on political activities. Disclosure is consistent with best interest of the Company and its shareholders. Indeed, the Supreme Court said in its 2010 *Citizens United* decision: [D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give

proper weight to different speakers and messages.

AT&T contributed at least \$65.7 million in corporate funds since the 2004 election cycle. (CQ: <http://moneyline.cq.com> and National Institute on Money in State Politics: <http://www.followthemoney.org>)

We acknowledge that our Company discloses a policy on corporate political spending and its contributions to state-level candidates, parties and committees on its website. We believe this is deficient because the Company will not disclose the following expenditures made for the political purposes defined above:

- A list of trade associations to which it belongs and how much it gave to each;
- Payments to any other third-party organization, including those organized under section 501(c)(4) of the Internal Revenue Service code; and
- Communication expenditures made directly by the Company.

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Indirect political spending may present greater risks than those that led AT&T to adopt its current political contributions disclosure policies because opacity allows trade associations and other tax exempt entities to use AT&T funds for purposes that may conflict with AT&T's policies and best interests. Disclosure permits oversight and accountability.

Information on indirect political engagement through trade associations and 501(c)(4) groups cannot be obtained by shareholders unless the Company discloses it. Disclosure of all of AT&T's indirect political spending would bring our Company in line with leading companies, including Microsoft, Capital One Financial Corp. and Qualcomm, that present this information on their websites. The Company's Board and its shareholders need comprehensive disclosure to be able to fully evaluate the political use of corporate assets.

The Board recommends you vote AGAINST this proposal for the following reasons:

AT&T received a nearly identical shareholder proposal in 2014; of the votes cast at the 2014 Annual Meeting, over 75% were against the proposal.

AT&T is committed to adhering to the highest ethical standards when engaging in any political activities. AT&T's policies and procedures with respect to political contributions are clearly set forth on the Company's website in the Corporate Governance section (available at www.att.com/gen/investor-relations?pid=7726). AT&T publishes the AT&T Political Engagement Report semiannually; it is an itemized list of corporate contributions and employee PAC contributions to candidates and candidate committees; national, state, and local party committees and other groups; and PACs and other committees. This report is available on our website (at http://about.att.com/content/dam/csr/PDFs/att_political_contributions_report_Jan_Jun_2014.pdf) and currently covers January through June 2014.

Political contributions, where permitted, are an important part of the regulatory and legislative process. AT&T is in a highly regulated industry, and the Company's operations are significantly affected by the actions of elected officials at the local, state and national levels, including rates it can charge customers, its profitability and even how it must provide services to competitors. It is important that your Company actively participate in the electoral and legislative processes in order to protect your interests as stockholders. The Public Policy and Corporate Reputation Committee of the Board, composed entirely of independent directors, reviews corporate political contributions and Company-sponsored political action committees (PACs).

In making political contributions AT&T is committed to complying with campaign finance laws, including the laws requiring public disclosure of political contributions. The amount of AT&T's political expenditures is an insignificant portion of its total annual expenses. Each year, your Board of Directors authorizes a maximum amount of political contributions that can be made by your Company, as permitted by, and in strict compliance with, applicable law, for the purposes of supporting or opposing any party, committee, candidate for public office, or ballot measure, or for any other political purpose. For 2015, this amount is \$6.0 million. Also, for calendar years 2015-2016, the AT&T Inc. Board of Directors authorized contributions or expenditures by AT&T, as permitted by, and in strict compliance with,

applicable law, relating to the 2016 presidential nominating conventions and ensuing inaugural activities, in the amount of \$19.0 million. This amount includes in-kind services. These contributions also provide valuable advertising opportunities for the Company's services and products. The Company believes that spending further corporate funds to generate additional reports would not be a productive use of corporate resources.

Except for contributions for ballot measures, no expenditure over \$1,000 may be made unless approved by the Chief Executive Officer. Additionally, expenditures must be submitted to the Company's attorneys to confirm that each contribution is lawful.

AT&T publicly discloses its participation in the legislative process. Federal political activity is subject to comprehensive regulation by the federal government, including detailed disclosure requirements.

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AT&T's federal PACs file regular reports of receipts and disbursements with the Federal Election Commission (the FEC) which are disclosed to the public in the reports filed with the FEC and include identification of all individuals who contributed \$200 or more as well as all candidates or committees that received a political contribution. AT&T complies with all obligations with regard to its state and local political activities, including reporting and disclosure requirements. Additionally, under the Lobbying Disclosure Act of 1995, as amended, AT&T files semi-annual reports with the Secretary of the U.S. Senate (available at http://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm) and Clerk of the U.S. House of Representatives (available at <http://disclosures.house.gov/ld/ldsearch.aspx>).

Additionally, as discussed in the AT&T Political Engagement Report, AT&T participates in various industry associations to further its business interests. These memberships not only provide valuable industry expertise, but they also advocate positions on behalf of the communications industry or that impact the communications and other industries. These industry associations include, for example, the United States Telecom Association, the Cellular Telephone Industry Association and the Future of Privacy Forum.

Because the AT&T Political Engagement Report contains detailed information on AT&T's political contributions and provides ample transparency and accountability of our political activities, the Board believes that the additional reports requested in the proposal are duplicative and unnecessary.

Item 5. Stockholder Proposal

Resolved, the shareholders of AT&T Inc. (AT&T) request the Board authorize the preparation of a report, updated semiannually, disclosing;

1. Policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. A listing of payments used for (a) direct or indirect lobbying; or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. AT&T's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. The decision making process and oversight by management and the Board for making payments described in sections 2 and 3 above.

For purposes of this proposal, a grassroots lobbying communication is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient to take action with respect to the legislation or regulation. Indirect lobbying is lobbying engaged in by a trade association or other organization of which AT&T is a member.

Direct and indirect lobbying and grassroots lobbying communications include efforts at the local, state and federal levels. Neither lobbying nor grassroots lobbying communications include efforts to participate or intervene in any political campaign or to influence the general public or any segment thereof with respect to an election or referendum.

The report shall be presented to the Audit Committee or other relevant Board oversight committees and posted on AT&T's website.

Supporting Statement

As long-term stockholders, we encourage transparency and accountability in our company's use of corporate funds to influence legislation and regulation. Corporate lobbying activities may generate significant risks to shareholder value, such as when lobbying supports positions that are misaligned

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with the company's business strategy or values. AT&T and other companies reliant on a positive image to attract and retain customers also bear reputational risks when corporate resources are used to support controversial issues or organizations, even if such support is unintentional.

AT&T sits on the board of the Chamber of Commerce, which may be the most muscular business lobby group in Washington (Chamber of Secrets, Economist, April 2012); however, AT&T itself does not disclose its memberships in, or payments to, trade associations, or the portions of such amounts used for lobbying.

AT&T spent \$33.395 million in 2012 and 2013 on direct federal lobbying activities. (opensecrets.org) This figure may not include grassroots lobbying to directly influence legislation by mobilizing public support and does not include lobbying expenditures to influence state legislation; in 2012, AT&T had over 465 lobbyists across 40 states. (classic.followthemoney.org) AT&T does not disclose its membership in tax-exempt organizations that write and endorse model legislation such as the American Legislative Exchange Council, although AT&T reportedly sits on ALEC's Private Enterprise Advisory Council. We believe AT&T's ALEC membership presents reputational risks for our company. Over 90 companies, including General Electric, have publicly left ALEC.

We urge your support for this proposal.

The Board recommends you vote AGAINST this proposal for the following reasons:

AT&T is committed to adhering to the highest ethical standards when engaging in any political activities. AT&T's policies and procedures with respect to political contributions are clearly set forth on the Company's website in the Corporate Governance section (available at www.att.com/gen/investor-relations?pid=7726). AT&T publishes the AT&T Political Engagement Report semiannually; it is an itemized list of corporate contributions and employee PAC contributions to candidates and candidate committees; national, state, and local party committees and other groups; and PACs and other committees. This report is available on our website (at http://about.att.com/content/dam/csr/PDFs/att_political_contributions_report_Jan_Jun_2014.pdf) and currently covers January through June 2014.

Your Board is confident that the Company's lobbying activities are aligned with its stockholders' long-term interests. Your Board believes that an additional report beyond AT&T's current disclosures is neither necessary nor an efficient use of Company resources. As described below, AT&T already makes available information concerning its political and lobbying activities to its stockholders and the public.

AT&T is in a highly regulated industry; therefore, public policy decisions at the local, state, and national levels significantly affect AT&T's operations, strategy, and stockholder value. Accordingly, AT&T exercises its responsibility to actively participate in the legislative processes in order to protect and further stockholders' interests by contributing prudently to lobbying organizations that constructively advocate positions which advance AT&T's business objectives and stockholders' interests.

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In addition to the AT&T Political Engagement Report, AT&T is required to file other reports with various state and federal agencies. Pursuant to the federal Lobby Disclosure Act, AT&T files federal lobbying reports quarterly with the Office of the Clerk of the U.S. House of Representatives and the Secretary of the U.S. Senate. These reports are publicly available and disclose corporate expenditures related to lobbying and issues lobbied. Publicly available contribution and lobbying data can be found at the below sources:

Federal Lobbying Disclosure Report, US Senate: Search Registrant Name: AT&T; available at http://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm;

Federal Lobbying Disclosure Report, US House of Representatives: Search Registrant Name: AT&T; available at <http://disclosures.house.gov/ld/ldsearch.aspx>;

Federal Lobbying Contribution Report: Search Organization Name: AT&T; available at <http://disclosures.house.gov/lc/lcsearch.aspx>;

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Federal Election Commission: Search: AT&T; available at <http://www.fec.gov/index.shtml>

California State Lobbying Report: Search: AT&T; available at
<http://cal-access.sos.ca.gov/Lobbying/Employers/>

We believe that it is in the best interests of our Company and our stockholders to belong to industry associations and coalitions, where we benefit from the general business, technical, and industry standard-setting expertise these organizations provide. AT&T has a robust review process for contributions to industry associations and coalitions. The proposal seeks unnecessary line-item disclosure of lobbying expenditures. AT&T fully complies with all disclosure requirements pertaining to lobbying expenditures under federal, state, and local laws. The proposal would impose requirements on AT&T that are not dictated by law and that are not standard among other companies. Any new requirements should be addressed by lawmakers and uniformly imposed on all entities.

The Board believes the rigor of these requirements provides ample transparency and accountability of our lobbying activities to our shareholders and the general public. The Congress and Executive Branch are the appropriate recipients of the proponent's specific positions on our nation's disclosure laws, and any reforms sought. Given the current extensive disclosure described above, your Board believes the preparation and publication of the report called for by this proposal is redundant and thus unnecessary.

Item 6. Stockholder Proposal

Proposal 6 Special Shareowner Meetings

Resolved, Shareowners ask our board to take the steps necessary (unilaterally if possible) to amend our bylaws and each appropriate governing document to give holders in the aggregate of 10% of our outstanding common stock the power to call a special shareowner meeting. This proposal does not impact our board's current power to call a special meeting.

Delaware law allows 10% of shareholders to call a special meeting and dozens or hundreds of companies have adopted the 10% threshold. Special meetings allow shareowners to vote on important matters, such as electing new directors that can arise between annual meetings. Shareowner input on the timing of shareowner meetings is especially important when events unfold quickly and issues may become moot by the next annual meeting.

This is also important because there could be a 15-month span between our annual meetings. This proposal topic won more than 70% support at Edwards Lifesciences and SunEdison in 2013. Vanguard sent letters to 350 of its portfolio companies asking them to consider providing the right for shareholders to call a special meeting.

A shareholder right to call a special meeting and to act by written consent and are 2 complimentary ways to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle. A shareholder right for 10% of shareholders to call a special meeting to can also help equalize our complete absence of provisions for shareholders to act by written consent. This proposal topic won our 43% support in 2011. In 2011 shareholders were not reminded of our complete absence of a shareholder right to act by written consent.

Please vote to enhance shareholder value:

Special shareowner meetings Proposal 6

The Board recommends you vote AGAINST this proposal for the following reasons:

A proposal on this topic was first submitted for our 2007 annual meeting, calling on the Board to amend the Bylaws to give holders of 10% to 25% of the outstanding common stock the right to call a

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special meeting. In response to an affirmative stockholder vote on the 2007 proposal, the Board of Directors amended AT&T's Bylaws to give holders of 25% of the outstanding common stock the right to call a special meeting.

For our 2009 annual meeting, a proposal was again submitted asking the Board to amend the Bylaws to further reduce the level of stock ownership required to call a special meeting from 25% to 10%. Although that proposal did not pass, the Board amended the Bylaws in 2009 to give holders of 15% of the outstanding common stock the right to call a special meeting.

Since then, proposals have been submitted for our 2011 and 2010 annual meetings, each time asking the Board to amend the Bylaws to further reduce the level of stock ownership required to call a special meeting from 15% to 10%. Almost 60% of our stockholders rejected the 2011 and 2010 proposals.

As noted above, your Board of Directors has reduced the percentage of the outstanding shares necessary to call a special meeting to 15%. This proposal would reduce it further to 10%. We believe no further reduction is appropriate. We believe the prior votes by shareholders, with nearly 60% voting against these prior proposals, reflects the view of a clear majority of our stockholders that the existing 15% ownership requirement is sufficient.

A special meeting of stockholders is a very expensive and time-consuming affair because of the legal costs in preparing required disclosure documents, printing and mailing costs, and the time commitment required of the Board and members of senior management to prepare for and conduct the meeting. Special meetings of stockholders should be extraordinary events that only occur when fiduciary obligations or strategic concerns require that the matters to be addressed cannot wait until the next annual meeting. We believe that AT&T's existing 15% ownership requirement strikes the appropriate balance between the right of stockholders to call a special meeting and the substantial administrative and financial burdens that special meetings impose on the Company.

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Audit Committee

Audit Committee Report

The Audit Committee: (1) reviewed and discussed with management AT&T's audited financial statements for the year ended December 31, 2014; (2) discussed with the independent auditors the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*; (3) received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence; and (4) discussed with the auditors the auditors' independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements for the year ended December 31, 2014, be included in AT&T's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

February 12, 2015

The Audit Committee

Jon C. Madonna, Chairman

Jaime Chico Pardo

James P. Kelly

Michael B. McCallister

Cynthia B. Taylor

Laura D. Andrea Tyson

AT&T has a separately designated standing Audit Committee. The Audit Committee oversees the integrity of AT&T's financial statements, the independent auditors' qualifications and independence, the performance of the internal audit function and independent auditors, and AT&T's compliance with legal and regulatory matters, including environmental matters. The members of the Audit Committee are Mr. Madonna (Chairman), Mr. Chico, Mr. Kelly, Mr. McCallister, Ms. Taylor, and Dr. Tyson, each of whom was appointed by the Board of Directors.

The Board has adopted a written charter for the Audit Committee, which may be viewed on the Company's web site at www.att.com. The Audit Committee performs a review and reassessment of its charter annually. The Audit Committee is composed entirely of independent Directors in accordance with the applicable independence standards

of the New York Stock Exchange and AT&T. The Board of Directors has determined that Mr. Madonna, Mr. Kelly, and Ms. Taylor are audit committee financial experts and are independent as defined in the listing standards of the New York Stock Exchange and in accordance with AT&T's additional standards. Although the Board of Directors has determined that these individuals have the requisite attributes defined under the rules of the SEC, their responsibilities are the same as those of the other Audit Committee members. They are not AT&T's auditors or accountants, do not perform field work and are not full-time employees. The SEC has determined that an audit committee member who is designated as an audit committee financial expert will not be deemed to be an expert for any purpose as a result of being identified as an audit committee

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financial expert. The Audit Committee is responsible for oversight of management in the preparation of AT&T's financial statements and financial disclosures. The Audit Committee relies on the information provided by management and the independent auditors. The Audit Committee does not have the duty to plan or conduct audits or to determine that AT&T's financial statements and disclosures are complete and accurate. AT&T's Audit Committee charter provides that these are the responsibility of management and the independent auditors.

Principal Accountant Fees and Services

Ernst & Young LLP acts as AT&T's principal auditor and also provides certain audit-related, tax and other services. The Audit Committee has established a pre-approval policy for services to be performed by Ernst & Young. Under this policy, the Audit Committee approves specific engagements when the engagements have been presented in reasonable detail to the Audit Committee before services are undertaken.

This policy also allows for the approval of certain services in advance of the Audit Committee being presented details concerning the specific service to be undertaken. These services must meet service definitions and fee limitations previously established by the Audit Committee. Additionally, engagements exceeding \$500,000 must receive advance concurrence from the Audit Committee Chairman. After an auditor is engaged under this authority, the services must be described in reasonable detail to the Audit Committee at the next meeting.

All pre-approved services must commence, if at all, within 14 months of the approval.

The fees for services provided by Ernst & Young (all of which were pre-approved by the Audit Committee) to AT&T in 2014 and 2013 are shown below.

| Principal Accountant Fees (<i>dollars in millions</i>) | | |
|---|-------------|-------------|
| Item | 2014 | 2013 |
| Audit Fees (1) | \$23.3 | \$23.1 |
| Audit Related Fees (2) | 4.4 | 3.6 |
| Tax Fees (3) | 8.0 | 4.1 |
| All Other Fees (4) | 0.0 | 0.0 |

- Included in this category are fees for the annual financial statement audit, quarterly financial statement reviews, audits required by Federal and state regulatory bodies, statutory audits, and comfort letters.*
- These fees, which are for assurance and related services other than those included in Audit Fees, include fees for employee benefit plan audits, due diligence associated with acquisition and disposition activity, control reviews of AT&T service organizations, governmental grant-related attestations, consultations concerning financial accounting and reporting standards, due diligence in connection with potential acquisitions, audits in connection with consummated or proposed transactions, and reviews of sustainability reporting compliance.*

3. *These fees include charges for various Federal, state, local and international tax compliance and research projects, as well as tax services for AT&T employees working in foreign countries.*
4. *No fees were incurred in 2014 or 2013 for services other than audit, audit related and tax.*

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Compensation Discussion and Analysis

[Compensation Discussion and Analysis](#)

Compensation Committee Report

The Human Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussions, the Human Resources Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in AT&T's Annual Report on Form 10-K and Proxy Statement for filing with the SEC.

February 11, 2015

The Human Resources Committee

Joyce M. Roché, Chairman
Scott T. Ford

John B. McCoy
Matthew K. Rose

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Compensation Discussion and Analysis

Executive Summary

AT&T's mission is to connect people with their world everywhere they live and work, and do it better than anyone else. We're fulfilling this vision by creating new solutions for consumers and businesses and by driving innovation in the communications and entertainment industry. Our success in meeting these goals depends on our ability to attract, retain, and motivate world-class talent, beginning with our executive officers. The Human Resources Committee (*Committee*) has taken significant care in the development and refinement of an executive compensation program that not only recognizes the skill of our leadership team and the complexity of running an organization the magnitude and scope of AT&T, but also aligns executive pay with performance and stockholder interests.

During 2014, we continued to execute on our strategic goals as shown below. We believe our senior leaders' pay reflects this strong performance and closely aligns the interests of our management with those of stockholders.

[Key Fiscal 2014 Business Results](#)

Our executive officers make decisions every day that shape the future of our Company. The impact of these decisions can be seen both in our current results as well as in our long-term performance. Highlights for 2014 include the following:

Financial Performance

Record \$132.4 billion in consolidated revenues

Returned more than \$11 billion to stockholders via dividends and share repurchases

A three-year total stockholder return of 29.8% through 2014, including reinvested dividends

\$31.3 billion in cash from operations – the eighth consecutive year that cash from operations has exceeded \$30 billion

\$18 billion in asset monetization plus free cash flow (cash from operations minus construction and capital expenditures)

Invested more than \$24 billion in capital expenditures and wireless spectrum and operations to expand and upgrade network capabilities for customers

Refinanced \$10 billion in debt to take advantage of historically low interest rates

Increased the quarterly dividend for the 31st consecutive year

Growth Metrics

Mobility

Increased postpaid smartphone customers by nearly 5 million to reach a record 56.8 million

i At the end of 2014, 83% of postpaid phone subscribers were on smartphones

i 58% of postpaid smartphone base was on no-device-subsidy-pricing plans at the end of the year

3.3 million postpaid net additions to reach a total postpaid subscriber base of 75.9 million

5.6 million total wireless net additions, up more than two times compared with 2013

Best-ever annual postpaid churn of 1.04%

Ended the year with more than one-quarter of postpaid smartphones on AT&T Next plans

Home Solutions

Reached a total of 12.2 million AT&T U-verse broadband connections, representing 76 percent of all wireline broadband subscribers

▪ 5.9 million total U-verse video subscribers

The annualized revenue stream from U-verse grew to more than \$15 billion at the end of 2014

Business Solutions

Increased annualized revenue stream for strategic business services (VPN, Ethernet, cloud, hosting, IP conferencing, VoIP, MIS over Ethernet, U-verse and security services) to more than \$10 billion

▪ Strategic business services represented nearly 30% of all wireline business revenues at the end of 2014

Table of Contents*Compensation Discussion and Analysis**Strategic Achievements*

One year ahead of schedule, essentially completed our Project Velocity IP initiative to bring high-speed broadband connectivity to more customers:

- Expanded our 4G LTE network to reach more than 300 million people
- Reached 57 million customer locations with U-verse broadband
- Extended our fiber build to reach 725,000 business locations

Announced the planned acquisition of DIRECTV, the world's largest pay TV provider, a key to our integrated carrier model and critical to building a video-first experience for our customers

Crafted a bidding strategy that allowed the company to acquire a near contiguous, nationwide 10x10 MHz block of high-quality AWS-3 spectrum to help the company meet growing demand for mobile video

Announced the acquisition of Mexican wireless provider Iusacell, with plans to create the first-ever North American Mobile Service area serving more than 400 million consumers and businesses in Mexico and North America (this transaction closed on January 16, 2015)

Closed 46 transactions, 20 of which were previously announced, to acquire wireless spectrum and wireless operations to improve coverage and service quality and stay ahead of increasing demand for mobile Internet services

Strengthened our prepaid wireless offering with the close of the Leap Wireless acquisition and launch of prepaid offerings under the Cricket brand

Compensation Philosophy and Best Practices

AT&T's executive compensation philosophy serves as the starting point for the development and evaluation of our pay programs. The foundational elements of this philosophy, as established by the Committee, include paying for performance, ensuring that our programs are competitive, balancing focus on both short- and long-term goals, and aligning executive officer compensation with both stockholder interests and competitive approaches in the marketplace.

The Committee periodically reviews and adjusts our compensation and benefits program to ensure alignment with current market practices. By continuing to evaluate and modify our programs as necessary and by designing our program around the following best practices, the Committee has shown its commitment to paying for performance and aligning executive pay with stockholder interests.

AT&T Compensation and Benefits Best Practices

Pay-for-Performance Focus 92% of the Chief Executive Officer's target compensation and, on average, 88% of other Named Executive Officer target compensation is tied to Company performance, including stock price.

Stock Ownership Guidelines All executive officers exceed these guidelines, which count only vested shares. Mr. Stephenson holds shares and deferred shares valued in excess of 22 times his salary; well above his required six times multiple.

Hold Until Retirement Executive officers must hold 25% of the shares they receive from incentive, equity, and option awards, net of taxes, until one year after they leave the Company.

Mitigate Risk in Compensation Programs The Committee reviews a risk analysis of our incentive-based compensation programs annually and believes that our programs do not create risks that are reasonably likely to have a material adverse impact on the Company.

Dividend Equivalents Payable at the End of the Performance Period and Only on Earned Performance Shares

No Tax Reimbursements except for certain non-deductible costs in the event of relocation

No Supplemental Executive Retirement Benefits for Post-2008 Officers

Restitution Policy in Case of Misconduct The Company may seek restitution of compensation received as a result of an employee's intentional or knowingly fraudulent or illegal conduct, including making a material misrepresentation that appears in the Company's financial statements.

No Repricing or Buyout of Underwater Stock Options

No Hedging or Short Sales Involving AT&T Stock

Severance Policy This policy generally limits severance payments for executive officers to 2.99 times salary and target bonus.

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Compensation Discussion and Analysis

[Impact of Performance Results on Executive Officer Compensation](#)

In order to further its pay-for-performance goal, the Committee has determined to deliver a significant portion of executive officer compensation as performance-based compensation, including both short- and long-term incentives. The following charts depict how the Committee targets each element of compensation for the CEO and collectively for the other Named Executive Officers.

2014 Target Compensation Mix

When designing these incentives, the Committee employs a variety of performance metrics to ensure a strong link between executive compensation and performance. Metrics such as earnings per share, free cash flow, revenue, and return on invested capital connect compensation to Company performance while total stockholder return aligns executive pay with performance relative to peer companies.

An explanation of the individual pay elements of our executive officer compensation program and the impact of performance on each element is provided below. We believe that the greatest pay opportunities should exist for executives who demonstrate high levels of performance over a sustained period of time. A discussion of each named executive officer's 2014 performance may be found on pages 41 through 43.

Base Salary

When determining whether to grant a base salary increase, the Committee considers the executive officer's individual performance and business results for the prior year, as well as his or her base salary compared to the market value for his or her job. Executive officers' salaries are set based on past and expected future contributions to the Company's long-term success.

2014 Base Salary Increases

Named Executive Officers received, on average, a pay increase of 3.8%. In determining pay increases, the Committee considered performance and actual salary compared to market.

Short-Term Incentives

At the beginning of the annual performance period, the Committee establishes three Company performance metrics, which serve as a threshold trigger to qualify executive officers for the payment of any short-term awards. The qualification criteria are tied to overall Company performance because the Committee believes that each executive

officer is ultimately responsible for attainment of the Company's strategic objectives.

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If any of the established performance thresholds are met, the Committee then conducts an assessment of additional qualitative and quantitative factors, as they determine appropriate for each executive officer, in order to determine specific award payouts, which will not exceed a maximum amount approved by the Committee at the beginning of the performance period. These factors may include an assessment of the executive's ongoing individual performance; his or her contribution to overall Company results; and attainment of business unit goals, including financial, customer service, and growth targets. The Committee also considers other factors such as innovation, ability to grow the business, and leadership.

2014 Short-Term Award Payouts

As described beginning on page 41, the Committee established performance targets in the form of ranges for revenue, earnings per share, and free cash flow. The Committee chose these performance metrics because they are the key short-term financial metrics for the operation of our business and represent important key metrics to our stockholders. In addition, these metrics are commonly used in the marketplace as annual performance indicators that drive long-term sustainability. For 2014, AT&T performed within the target ranges for all three metrics.

As a result of Company, business unit, and individual performance, the Committee determined to pay executive officer short-term awards generally below target award levels as described on page 43.

Long-Term Incentives

To appropriately focus our executives' attention on the long-term impacts of their decisions and to more closely align their interests with those of our stockholders, the majority of our executive compensation package is in the form of long-term incentives, which are comprised of 50% performance shares and 50% restricted stock units. For more information on our long-term compensation program, please refer to the section beginning on page 44.

The actual payout value of performance shares is based on two criteria: the attainment of predetermined performance criteria (which determines how many of the shares are actually payable) and our stock price. Restricted stock units are paid in stock.

Performance Share Payouts

For the 2012-2014 performance period, executive officer performance was measured against AT&T's Return on Invested Capital (ROIC – applicable to 75% of the award) and Total Stockholder Return against the S&P 100 companies (TSR – applicable to 25% of the award).

ROIC: The Committee chose ROIC as a long-term performance metric because it encourages our executive officers to focus not only on net income, but also on effectively employing capital and creating stockholder value. For the 2012-2014 performance period, ROIC attainment resulted in a 113% payout of the performance shares tied to this performance metric.

TSR: In order to more closely tie the compensation of our executive officers to the interests of our stockholders, the Committee also applied a relative TSR performance metric to the determination of 2012-2014 performance share payouts. AT&T's TSR performance was in the 5th quintile of the S&P 100 peer group, resulting in 0% payout of the performance shares tied to this performance metric.

The narrative on the following pages more fully describes how the Committee, with the input of its consultant, has designed AT&T's executive officer compensation and benefits program using the

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Compensation Discussion and Analysis

Committee's guiding pay principles as the pillars of the program. The narrative also outlines how we establish pay targets and how actual executive officer pay is determined. Finally, we provide a description of our benefits, including personal benefits.

The Human Resources Committee and Its Role

The Committee is responsible for overseeing our management compensation practices. Annually, the Committee approves the base salaries, short-term incentive targets, and long-term incentive grant levels as well as short- and long-term award payouts for all officers, including the Named Executive Officers. The Committee recommends new benefit plans to the Board and acts as the administrator of certain of the Company's compensation and benefit plans. The Committee's charter is available on our web site at www.att.com. No AT&T employee serves on this Committee, which is composed entirely of independent Directors. The current members of the Committee are: Ms. Roché (Chairman), Mr. Ford, Mr. McCoy, and Mr. Rose.

Compensation Consultant

The Committee is authorized by its charter to employ independent compensation consultants and other advisors. The Committee has selected Total Rewards Strategies to serve as its independent consultant. The consultant reports directly to the Committee. Total Rewards Strategies provides no other services to AT&T.

The Committee reviewed the following six independence factors, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, when evaluating the consultant's independence:

- Other services provided to the Company
- Percentage of the consultant's revenues paid by the Company
- Consultant's policies to prevent conflicts of interest
- Other relationships with compensation committee members
- Company stock owned by the consultant
- Other relationships with executive officers

Based on its evaluation of the consultant and the six factors listed above, the Committee has determined that its consultant meets the criteria for independence.

Following is a description of the consultant's duties:

- Attends all Committee meetings;

Provides information, research, and analysis pertaining to executive compensation and benefits;
Regularly updates the Committee on market trends, changing practices, and legislation pertaining to executive compensation and benefits;
Reviews the Company's executive compensation strategy and program to ensure appropriateness and market-competitiveness;
Makes recommendations on the design of the compensation program and the balance of pay-for-performance elements;
Reviews market data and makes recommendations for establishing the market rates for jobs held by senior leaders;
Analyzes compensation from other companies' proxy and financial statements for the Committee's review when making compensation decisions;
Assists the Committee in making pay determinations for the Chief Executive Officer; and
Advises the Committee on the appropriate comparator groups for compensation and benefits as well as the appropriate peer group against which to measure long-term performance.

Table of Contents*Compensation Discussion and Analysis***Guiding Pay Principles**

The Committee continually evaluates AT&T's compensation and benefits program in light of market and governance trends. Balancing these trends, the need to attract and retain talent, and with a focus on delivering value for our stockholders, the Committee has designed AT&T's executive compensation program around the following guiding pay principles:

Competitive and Market Based

Evaluate all components of our compensation and benefits program in light of appropriate comparator company practices to ensure we are able to attract, retain, and provide appropriate incentives for officers in a highly competitive talent market. Comparator company data provides information on market trends and may lead to changes in our approach and practices.

Pay-for-Performance

Tie a significant portion of compensation to the achievement of Company and business unit goals as well as recognize individual accomplishments that contribute to the Company's success. For example, in 2014, 92% of the CEO's target compensation (and, on average, 88% for other Named Executive Officers) was tied to short- and long-term performance incentives, including stock price performance.

Balanced Short- and Long-Term Focus

Ensure that compensation programs and packages provide an appropriate balance between the achievement of short- and long-term performance objectives, with a clear emphasis on managing the sustainability of the business and mitigation of risk.

Alignment with Stockholders

Set performance targets and provide compensation elements that closely align executives' interests with those of stockholders. For example, performance shares make up nearly 33% of target compensation for the CEO and the Named Executive Officers, and are tied to multi-year Company performance and the Company's stock price. In addition, AT&T has executive stock ownership guidelines and retention requirements, as described on page 49. Each of the Named Executive Officers exceeds the minimum stock ownership guidelines.

Alignment with Generally Accepted Approaches

Provide policies and programs that fit within the framework of generally accepted approaches adopted by leading major U.S. companies.

We engage in periodic dialogues with large institutional stockholders to ensure we understand their viewpoints on executive pay. At the 2014 Annual Meeting, stockholders voted on the Company's compensation policies and programs with over 93.7% of the votes being cast in favor. The Committee reviewed these results and intends to continue following these guiding pay principles.

Compensation Design

[Executive Compensation Program](#)

We recognize that our long-term success depends on the talent and efforts of our employees and the leadership and performance of our executives. Because the relationship with any employee begins with the compensation and benefits program, it is in the stockholders' long-term interest that the program

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be structured in a way that makes attraction, retention, and motivation of the highest quality talent a reality. With that goal in mind, AT&T's executive compensation and benefits program includes a number of different elements, from fixed compensation (base salaries) to performance-based variable compensation (short- and long-term incentives), as well as key personal benefits which minimize distractions and allow our executives to focus on the success of the Company. Each of the elements shown below is designed for a specific purpose, with an overarching goal to encourage a high level of sustainable individual and Company performance well into the future:

| | | | | |
|-------------------------------------|---|--|---|---|
| Current Year Performance | | Multi-Year Performance | | Attraction & Retention |
| Salary and Short-Term Incentives | + | Long-Term Incentives (Performance Shares and Restricted Stock Units) | + | Retirement, Deferral/Savings Plans, Benefits, and Personal Benefits |

Total Target Compensation

Total target compensation is the value of the compensation package that the Committee intends to deliver for on target performance against predefined goals. Actual compensation will depend on the applicable performance achievement and, for long-term incentive awards, the price of AT&T stock.

Total target compensation is detailed for each Named Executive Officer in the following table.

| 2014 NEO Target Compensation | | | | | | | | |
|---|----|----------------------|----|---|----|-------|----|-------------|
| (Excludes Change in Pension and All Other Compensation) | | | | | | | | |
| Cash-Based Compensation | | | | Stock-Based | | | | |
| | | | | Long-Term Award (1) - Restricted Stock Units | | | | |
| | | | | Vesting 2018 | | | | |
| | | | | - Performance Share | | | | |
| | | | | Total Target | | | | |
| Base Salary | | Short-Term Incentive | | 2014-16 Period | | Comp. | | Performance |
| % of | | % of | | % of | | % of | | % of |
| Name | \$ | Total | \$ | Total | \$ | Total | \$ | Total |

| CEO | | | | | | | | |
|------------------|-----------|-----|-----------|-----|------------|-----|------------|-----|
| Stephenson | 1,700,000 | 8% | 5,300,000 | 25% | 14,500,000 | 67% | 21,500,000 | 92% |
| Other | | | | | | | | |
| NEOs | | | | | | | | |
| Stephens | 775,000 | 11% | 1,625,000 | 24% | 4,370,000 | 65% | 6,770,000 | 89% |
| de la Vega | 915,000 | 12% | 1,770,000 | 22% | 5,175,000 | 66% | 7,860,000 | 88% |
| Stankey | 925,000 | 12% | 1,795,000 | 23% | 5,175,000 | 65% | 7,895,000 | 88% |
| Watts | 825,000 | 13% | 1,465,000 | 24% | 3,850,000 | 63% | 6,140,000 | 87% |
| Avg Other | | | | | | | | |
| NEOs | 860,000 | 12% | 1,663,750 | 23% | 4,642,500 | 65% | 7,166,250 | 88% |

1. Long-term grants of performance shares are paid out, subject to meeting performance objectives, in cash based on the stock price on the date the award payout is approved. Restricted Stock Units are distributed in shares. Each represents 50% of the target award.
 2. Total of Short-Term Incentive and Stock-Based Long-Term Award divided by Total Target Compensation.
- [Incentive Compensation – A Balanced Approach to Manage Risk to Stockholders](#)

We believe in balancing incentive compensation so that officers focus on the attainment of both short- and long-term corporate objectives. By ensuring that a significant portion of compensation is based on the long-term performance of the Company, we reduce the risk that executives will place too much focus on short-term achievements to the detriment of the long-term sustainability of the Company.

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Compensation Discussion and Analysis

Further, we structure short-term incentive compensation so that the accomplishment of short-term corporate and business unit goals supports the achievement of long-term corporate goals. Both of these elements work together for the benefit of the Company and its stockholders.

Each year, the Committee also reviews an analysis prepared by management of the Company's compensation policies and practices in order to evaluate whether they create risks that are reasonably likely to have a material adverse effect on AT&T. This analysis includes the steps AT&T takes to mitigate risk in our compensation plans, including: the use of multiple metrics in determining award payouts; the use of payout tables to provide partial payouts for partial performance attainment, payout caps, and/or budget maximums; and cross-functional department review and/or approval of all payouts (which includes Committee approval of all officer payouts). More than one form of long-term compensation is used in order to balance the risk of the long-term program. The Compensation Consultant also reviewed our programs and advised the Committee that the programs did not encourage risk-taking reasonably likely to have a material adverse effect on AT&T.

In addition, all award recipients are subject to our internal code of business conduct policy including penalties for violation of the policy. Based on this analysis, for 2014, the Committee determined that the Company's compensation policies and practices were not reasonably likely to have a material adverse effect on the Company.

Evaluation of Market to Determine Competitive Pay Levels

We believe that a job's value is determined by what we have to pay so that our executives' compensation packages remain competitive with the pay packages of executives in similar positions at companies with which we compete for talent.

The starting point for determining Executive Officer compensation levels begins with an evaluation of market data. The consultant compiles both proxy and compensation survey data from third party sources for the comparator companies (selected by the Committee, and discussed below). The use of multiple sources of information and comparator groups ensures the availability of sufficient data to accurately reflect the competitive market and provides for the annual development of reliable market values by the consultant.

Our comparator companies are selected based on:

- similarity to AT&T in terms of size and/or industry,
- ability of the company to compete with AT&T for talent, and
- similarity to jobs at AT&T in terms of complexity and scope of officer positions.

Following are the comparator groups used by the consultant in making 2014 market value recommendations for officer positions.

Comparator Groups Used by Compensation Consultant for 2014 Compensation

| Type of Group | Companies in Group |
|---|---|
| A comparator group of 20 companies in the technology, telecommunications and entertainment industries selected by the consultant in consultation with the Committee | Apple, Boeing, Cisco Systems, Comcast, General Electric, Google, Hewlett-Packard, Honeywell, IBM, Intel, Johnson Controls, Lockheed Martin, Microsoft, Oracle, Qualcomm, Time Warner Inc., Twenty-First Century Fox, United Technologies, Verizon Communications, Walt Disney |
| Largest 25 U.S. companies based on market capitalization, adjusted to eliminate AT&T as well as investment banking, investment holding/ | Amazon.com, Apple, Chevron, Cisco Systems, Coca-Cola, Comcast, Exxon Mobil, General Electric, Google, Home Depot, IBM, Intel, Johnson & Johnson, McDonald's, Merck, Microsoft, Oracle, PepsiCo, Pfizer, Philip Morris International, Procter & Gamble, Qualcomm, Schlumberger, Verizon Communications, Wal-Mart |
| management and privately owned companies | |
| Telecommunications and cable companies | CenturyLink, Comcast, Motorola Solutions, Sprint, Time Warner Inc., Verizon Communications |

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Compensation Discussion and Analysis

Executive officers' base salaries are generally targeted to the market 50th percentile. Total target cash compensation (the sum of base pay and short-term incentive target) and long-term grants are targeted to the market 62nd percentile, with the support of the Committee's consultant. These pay targets emphasize our pay-for-performance strategy and are consistent with our market leadership position as one of the nation's largest companies based on revenue and market capitalization.

In making the market value recommendations to present to the Committee, the consultant reviews both the proxy and the survey compensation data at the percentiles of the market assigned by the Committee. The consultant applies his judgment and experience to this data in order to determine preliminary market value recommendations for each executive officer position. Prior to presenting the market values to the Committee, the consultant obtains input from members of management and the CEO (for officers other than the CEO) to obtain their views on the relative value of each position at AT&T and differences in responsibilities between AT&T jobs and those in the comparator groups. Based on this detailed analysis, AT&T-specific market values (*AT&T Market Values*) are presented to the Committee for each executive officer position. The AT&T Market Values are used as a reference point for the Committee's determination of actual compensation levels and include components for base salary and short- and long-term incentive target awards.

[Determining Target Compensation Levels](#)

Annually, the Committee meets to set base salary and target short- and long-term incentive compensation levels for officers, including the Named Executive Officers, with the advice of the consultant. In setting compensation levels, the Committee reviews the AT&T Market Values provided by the consultant along with the CEO's compensation recommendations for the other executive officers. The CEO bases his compensation recommendations on his judgment of the skills, experience, responsibilities, and achievements of each executive officer, as well as the officer's current compensation relative to the AT&T Market Value for his or her job. The Committee believes that input from both the CEO and the consultant provides necessary information and points of view to assist them in determining the appropriate target levels of pay. Once the Committee has received this input, they apply their judgment and experience to set compensation for the coming year. The Committee may determine that executives with significant experience and responsibilities, who demonstrate exemplary performance, have higher target compensation, while less experienced executives may have lower target compensation. To determine the compensation for the CEO, the Committee again uses its judgment of his skills, experience, responsibilities, achievements, and current compensation, along with the consultant's AT&T Market Value recommendation.

2014 Compensation

[Base Salaries](#)

| Objective | Key Features and Pay for Performance |
|-----------|--------------------------------------|
|-----------|--------------------------------------|

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Provides fixed compensation to assume the day-to-day responsibilities of the position

Salary level recognizes an executive officer's experience, skill, and performance, with the goal of being market-competitive.

Adjustments may be made based on individual performance, pay relative to other AT&T officers, and the employee's pay relative to the market.

Represents 8% for the CEO and, on average, 12% for other executive officers' total target compensation, in line with our objective to have the majority of pay at risk and tied to Company performance.

This element is payable in cash. The executive officers have the option to defer a portion into Company stock.

In 2014, the Named Executive Officers received a salary increase of 3.8%, on average.

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| Objective | Key Features and Pay for Performance |
|---|--|
| Motivates and rewards the achievement of short-term Company performance | <p>Aligns executive officers' interests with our short-term corporate strategy, and aligns pay with the achievement of short-term Company and/or business unit objectives.</p> <p>To qualify for a payout, executive officers must achieve at least one of the predetermined performance thresholds, as shown below. These objectives support the accomplishment of long-term Company goals and emphasize overall results of the Company by establishing one set of performance targets.</p> <p>Actual award payouts consider performance against these and other Company and business unit metrics as well as individual performance.</p> <p>This element is payable in cash. The executive officers have the option to defer a portion into Company stock.</p> |

2014 Targets

Each year the Committee establishes a short-term target award for each executive officer. The Committee believes it is important to focus the executive officers on the key objectives of the Company (other officers are measured, in part, on the success of their individual business units). The key performance objectives adopted by the Committee include the three performance metrics and related target ranges shown in the following table. The Company must achieve results in at least one of the ranges for the executive officers to receive any portion of the target awards.

| 2014 Metric | Target (\$) | Target Range (\$) | Achievement (\$) |
|-----------------------|--------------------|--------------------------|-------------------------|
| Consolidated Revenues | 134.6 billion | 114.4 - 154.7 billion | 132.4 billion |
| Earnings Per Share | 2.60 per share | 2.08 - 3.12 per share | 2.47 per share (2) |
| Free Cash Flow (1) | 10.5 billion | 8.4 - 12.6 billion | 9.9 billion |

- Net cash from operating activities minus construction and capital expenditures.*
- In accordance with terms of the grant, EPS results were increased by \$1.28 per share above reported EPS to remove the non-cash effects of gains and losses related to assets and liabilities of pension and medical plans as well as the dilutive impacts of merger and acquisition activity and the non-cash write-down of fixed assets.*

In determining the final payouts for short-term awards, the Committee gives weight to the achievement of the performance ranges, the overall performance of the Company, business unit performance, and the individual performance of each executive officer. Under this program, payouts may range from 0% to 200% of the target award.

In evaluating executive officers that report to the CEO, the Committee will also give weight to the CEO's recommendations. In order to limit the potential for unintended consequences, both favorable and unfavorable, the Committee does not apply a fixed formulaic approach to determining final payouts.

2014 Payouts

The Committee determined that in 2014 the Company's results were within the target ranges for each of the 2014 performance metrics, permitting payout of the short-term awards. The Committee then reviewed the Company's accomplishments as shown on pages 32-33, business unit performance, and the individual achievements of each of the Named Executive Officers, as described below:

Randall L. Stephenson

Under Mr. Stephenson's leadership, AT&T continued to lead the industry in positioning itself for future growth through strategic investments to offer integrated capabilities across an increasingly diversified base of services, customers, technology platforms and geographies.

AT&T announced its acquisition of DIRECTV, the premier pay TV provider in the U.S. and Latin America. The acquisition provides immediate and long-term financial benefits, significant opportunities for integrated offers, and will make AT&T the content distribution leader in the U.S. across mobile, video and high-speed Internet platforms. In November 2014, the company announced

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it would acquire Mexican wireless provider Iusacell (which closed on January 16, 2015), giving AT&T the opportunity to create the first-ever North American Mobile Service area covering more than 400 million consumers and businesses in Mexico and the United States. Also, AT&T completed its acquisition of Leap Wireless, which significantly expanded its prepaid business and added spectrum in key markets. Upon completion of the DIRECTV deal, AT&T will be uniquely positioned in the market as an integrated, diversified communications company with more than 90% of revenues from its growth drivers—mobile, broadband, video and strategic business services.

In 2014, AT&T led the industry in network reliability and investments, which delivered solid financial and operational results. It essentially completed its Project VIP network investment plan one year ahead of schedule, including building: 4G LTE wireless service to 300 million people, high-speed Internet service to 57 million customer locations, and fiber connections to more than 725,000 business locations. AT&T's enhanced capabilities helped deliver impressive results on its growth platforms. The company transformed its wireless business model with its AT&T Next and Mobile Share Value programs, moving away from traditional device-subsidy plans. The result was the best post-paid wireless subscriber growth in 5 years, record low post-paid customer churn and best-ever wireless service margins with strong smartphone sales—all in a highly competitive market. AT&T extended its industry lead in providing mobile connectivity for the Internet of Things, especially connected cars.

John J. Stephens

Under Mr. Stephens' leadership, AT&T maintained its commitment to generating long-term returns and value for stockholders, while also investing to significantly reposition the company for future growth. AT&T generated \$31.3 billion in cash from operations from record revenues of \$132.4 billion in 2014—the eighth consecutive year that cash from operations has exceeded \$30 billion. The company's three-year total stockholder return is 29.8 percent. Mr. Stephens also continued to rebalance AT&T's capital structure, taking advantage of historically low interest rates. Since 2011, AT&T's weighted average cost of debt is 120 basis points lower, allowing the company to hold interest costs relatively flat while increasing overall debt by \$17.3 billion through the end of 2014.

AT&T's record of cash generation and industry-leading strong balance sheet has given it the flexibility to invest in future growth. The company invested \$21.4 billion in its networks in 2014 and more than \$24.5 billion inclusive of wireless spectrum acquisitions. Also, AT&T announced plans to acquire DIRECTV and Mexican wireless provider Iusacell. These transformational acquisitions will significantly diversify AT&T's revenues, capabilities and geographic footprint. AT&T returned \$11.2 billion to stockholders in 2014 via dividends and share repurchases and increased its quarterly dividend for an industry-leading 31st consecutive year.

Rafael de la Vega

In 2014, Mr. de la Vega's responsibilities were expanded from CEO of AT&T Mobility, to President and CEO of AT&T Mobile and Business Solutions, which represents more than \$100 billion in annual revenues and serves more than 120 million U.S. wireless subscribers and approximately 3.5 million business customers. The company

successfully repositioned its wireless business model with no-device subsidy pricing plans. Total wireless revenues grew by \$4 billion and the company had its best post-paid customer additions in 5 years and record low post-paid customer churn. AT&T significantly expanded its prepaid business with the successful integration of its Leap Wireless acquisition, which operates under the Cricket brand.

Under Mr. de la Vega's leadership, AT&T continued to lead the industry in connecting the Internet of Things – winning 5 new connected car deals with global automakers and more than 200 other IoT contract wins. AT&T's home security and automation business, Digital Life, grew to 82 markets in 2014. AT&T Mobility continued to enhance the customer experience, earning awards from

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independent third parties for service and the retail purchase experience. Revenues from Strategic Business Services grew by double digits and now represent 30% of total wireline business revenues. AT&T established a leadership position in providing highly secure cloud connectivity to businesses through NetBond, a highly secure networking solution deployed with 10 major cloud service providers, such as Amazon, IBM, Microsoft and Salesforce.com.

John Stankey

Under Mr. Stankey's leadership in 2014, AT&T acquired spectrum and operations critical to future growth, launched several new growth initiatives, and further re-engineered its asset portfolio—divesting non-strategic assets to generate cash for investing in growth platforms. AT&T announced its acquisition of premier pay TV provider DIRECTV. The acquisition provides significant opportunities for integrated offers, and will make AT&T the content distribution leader in the U.S. across mobile, video and high-speed Internet platforms. The company formed a joint venture with the Chernin Group, to develop online video content. To enhance AT&T's spectrum position and support future mobility growth, Mr. Stankey led AT&T's successful participation in the FCC's recent auction of wireless spectrum. Additionally, AT&T closed nearly 50 transactions to acquire spectrum and/or wireless operations, including the acquisition of Leap Wireless and announced AT&T's acquisition of Mexican wireless operator Iusacell. AT&T generated over \$8.1 billion in cash through asset monetization in 2014, including \$5.9 billion from the sale of AT&T's stake in America Movil and \$2 billion from the sale of its incumbent wireline operations in Connecticut.

Wayne Watts

With responsibility for all legal matters affecting AT&T, Mr. Watts effectively led the Company's litigation, regulatory filings, and compliance matters before various judicial and regulatory agencies, as well as providing day-to-day legal counsel, including thousands of commercial agreements and labor agreements. In 2014, Mr. Watts and his team successfully managed thousands of litigation matters involving AT&T, including 139 appeals to various federal and state courts of appeal and the U.S. Supreme Court. Under Mr. Watts' direction, the company effectively advanced its positions before federal and state regulators designed to generate a fair regulatory and working environment for AT&T's operational success. Mr. Watts and his team directly supported the Company's execution of transactions in support of its strategic initiatives and objectives. These efforts included the sale of AT&T's wireline operations in Connecticut, negotiating an agreement to acquire DIRECTV, negotiating an agreement and completing regulatory approvals for AT&T's acquisition of Mexican wireless provider Iusacell, and the purchase of spectrum in dozens of transactions to help address the Company's near- and mid-term spectrum needs.

Based on the Company achievements and the above accomplishments, the Committee determined to pay Named Executive Officers 81%–93% of their respective target awards. Payouts of 2014 awards were as follows:

2014 Short-Term Payouts

| Name | Target Award (\$) | Actual Award (\$) |
|--------------------|--------------------------|--------------------------|
| Randall Stephenson | 5,300,000 | 4,350,000 |
| John Stephens | 1,625,000 | 1,425,000 |
| Rafael de la Vega | 1,770,000 | 1,425,000 |
| John Stankey | 1,795,000 | 1,665,000 |
| Wayne Watts | 1,465,000 | 1,350,000 |

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| Objective | Key Features and Pay-for-Performance |
|--|---|
| <p>Motivates and rewards the achievement of long-term Company performance</p> | <p>The goal of our long-term program is to align executive and stockholder interests. Awards for all officers consist of restricted stock units and performance shares, each representing approximately 50% of the grant value of long-term compensation.</p> |
| | <p style="text-align: center;">Performance Shares</p> <p>Paid in cash at the end of a three-year performance period to the extent applicable performance goals are met.</p> |
| | <p>Awards pay out at target if performance goals are met, below target or not at all if the goals are not met, and above target if the goals are exceeded.</p> |
| | <p>Each performance share is equal in value to a share of stock, which causes the value of the award to fluctuate directly with changes in our stock price over the performance period.</p> |
| <p>The cash payment value of the performance shares is based on AT&T's stock price on the date an award payout is approved.</p> | <p>Because awards are based on a three-year performance period, they maximize the leverage of both short- and long-term performance. The impact of a single year's performance is felt in each of the three performance share grants that are outstanding at any given time, so that strong performance must be sustained every year in order to provide favorable payouts.</p> |
| <p>Dividend equivalents are paid at the end of the performance period, based on the number of performance shares earned.</p> | <p style="text-align: center;">Restricted Stock Units (RSUs)</p> |
| <p>We structure RSUs to be paid in stock at the end of a retention period, regardless of when they vest. RSUs vest 100% after four years or upon retirement eligibility, whichever occurs earlier.</p> | <p>Through stock price and dividends, RSUs directly tie our officers' interests to the long-term interests of our stockholders.</p> |
| <p>Although RSUs have value at grant, in order for them to retain value or increase in value, officers must execute at a high level to drive stockholder returns.</p> | <p>Because AT&T values long-term performance, and to ensure that our compensation program does not incent executives to take excessive risks in pursuit of short-term results, long-term incentives are a significant part of an officer's compensation package.</p> |

2014 Grants

In 2014, the Committee granted the Named Executive Officers long-term incentives in the form of 50% performance shares and 50% restricted stock units. Target grant values were set using the AT&T Market Values as a guideline.

Following is more detail on our 2014 long-term grants.

Performance Shares

The performance shares granted in 2014 are for the 2014-2016 performance period. The Committee determined that the performance measure for 75% of the Performance Shares would be Return on Invested Capital and the measure for the remaining 25% would be based on a comparison of AT&T's Total Stockholder Return to the Standard and Poor's 100 Index (*S&P 100*).

| 2014 Performance Share Grants | | | |
|-----------------------------------|---|------------------------------------|---|
| (2014 to 2016 Performance Period) | | | |
| Name | Target Grant Values (\$) (amounts are rounded) | Performance Measure | |
| | | AT&T Return on Invested Capital | AT&T Total Stockholder Return vs. S&P 100 |
| Randall Stephenson | 7,250,000 | | |
| John Stephens | 2,185,000 | | |
| Rafael de la Vega | 2,587,500 | 75% of Grant | 25% of Grant |
| John Stankey | 2,587,500 | | |
| Wayne Watts | 1,925,000 | | |

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We chose ROIC as the primary performance metric applicable to performance share grants for a number of reasons, including the fact that it is a prevalent market practice and it encourages our managers to focus not only on net income, but also on effectively employing capital and creating stockholder value.

We calculate ROIC by averaging over the three-year performance period: (1) our annual net income before extraordinary items plus after-tax interest expense, divided by (2) the total of the average debt and average stockholder equity for the relevant year. For mergers and acquisitions over \$2.0 billion, we exclude the dilutive impacts of intangible amortization, asset write-offs, accelerated depreciation, and transaction and restructuring costs so that the impact of certain significant transactions, including those which may not have been contemplated in the determination of a performance metric, will not have an impact on the performance results. We also exclude the following if the collective net impact, after taxes and available collectible insurance, exceeds certain limits in a calendar year: changes in tax laws and/or accounting principles, certain unusual events, expenses caused by natural disasters or intentionally caused damage to the Company's property, and non-cash accounting write-downs of goodwill, other intangible assets and fixed assets. Additionally, we disregard the net dilutive impact of mandatory changes resulting from the Patient Protection and Affordable Care Act of 2010 as well as gains and losses related to the assets and liabilities of pension and other post-retirement benefit plans (and associated tax effects).

At the end of the performance period, the number of performance shares to be paid out, if any, will be determined by comparing the actual performance of the Company against the predetermined performance objectives, which are set forth as a range of results. The ROIC target range for the 2014-2016 performance period was set above our cost of capital; a target that we believe to be challenging, but attainable. For performance above or below the performance target range, the number of performance shares are increased or reduced, respectively. Potential payouts range from 0% to 150% of the number of performance shares granted.

Total Stockholder Return (TSR) Performance Measure

The TSR measure compares AT&T's TSR (stock appreciation plus reinvestment of dividends) to that of companies in the S&P 100. We believe that TSR is an important measure because it helps ensure that our executives remain focused on the value they are delivering to our stockholders.

The following chart shows the potential payouts based on AT&T's TSR relative to companies in the S&P 100. In order to further align our executive officer pay with stockholder interests, if AT&T's TSR is negative, the payout percentage is capped at 90%.

AT&T Total Stockholder Return Compared to the S&P 100**(2014 – 2016 Performance Period)**

| Ranking | Payout Percentage |
|-----------------------------------|--------------------------|
| AT&T is the top company | 200% |
| AT&T in 82 99.99th percentile | 150% |
| AT&T in 63 81.99th percentile | 125% |
| AT&T in 44 62.99th percentile | 100% |
| AT&T in 25 43.99th percentile | 50% |
| AT&T is below the 25th percentile | 0% |

Restricted Stock Units

Restricted stock units granted in 2014 vest 100% after four years, or upon retirement eligibility, whichever occurs earlier, but do not pay out until the scheduled distribution date. These units

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receive quarterly dividend equivalents, paid in cash at the time regular dividends are paid on AT&T's stock. Restricted stock units pay 100% in stock to further tie executive and stockholder interests.

The following table shows restricted stock unit grants made to the Named Executive Officers in 2014:

| 2014 Restricted Stock Unit Grants | |
|--|---|
| Name | Grant Date Values (\$) (amounts are rounded) |
| Randall Stephenson | 7,250,000 |
| John Stephens | 2,185,000 |
| Rafael de la Vega | 2,587,500 |
| John Stankey | 2,587,500 |
| Wayne Watts | 1,925,000 |

Performance Share Payouts Results for the 2012-2014 Performance Period

The performance measure applicable to 75% of the 2012 performance share grants was ROIC. The performance measure for the other 25% of the grant was AT&T's TSR, measured against the 100 companies that comprise the S&P 100 Index at the end of the performance period.

For the 2012-2014 performance period, the Committee set the ROIC target range above our cost of capital, which represented a challenging but attainable target. After conclusion of the performance period, the Committee determined, using the payout table established at the beginning of the performance period that the Company's results were above the ROIC target range and directed that 113% of the related performance shares be distributed. In accordance with the terms of the grant, the dilutive impacts of intangible amortization, asset write-offs, accelerated depreciation and transaction and restructuring costs relating to certain merger and acquisition activity was excluded.

In accordance with the payout table, for performance shares tied to the TSR target, the Committee determined that the Company was in the 5th quintile of the index, which resulted in a payout of 0% of the performance shares tied to this metric.

As shown below, the number of performance shares actually paid was 85% of the target number of shares, based on combined performance results for ROIC and TSR. The realized value of executive officer long-term compensation also includes the impact of changes in stock price (which also impacts our stockholders), making the final value of the performance share payout equal to 95% of the target grant value.

2012 Performance Share Grant and Payout Values

(Half of the Long-Term Granted to Executive Officers in 2012)

| Name | Performance | Value at Grant (\$) | Performance | % Change in Stock Price (1) | Value at Grant | Approx. % of Grant |
|------------|-------------|---------------------|-------------|-----------------------------|----------------|--------------------|
| | Measure(s) | | Payout % | | Payout (\$) | Realized |
| Stephenson | 75% ROIC | 6,375,000 | 85% | 12% | 6,064,596 | 95% |
| Stephens | | 1,660,000 | | | 1,579,178 | |
| de la Vega | 25% TSR | 2,237,500 | | | 2,128,544 | |
| Stankey | | 2,237,500 | | | 2,128,544 | |
| Watts | | 1,725,000 | | | 1,641,009 | |

1. From the date of grant (January 26, 2012) through the date the distribution was approved (January 29, 2015).

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Restricted Stock Unit Payouts

The restricted stock units that were granted to executive officers in 2011 vested in 2015 (or at the executive officer's earlier retirement eligibility). These restricted stock units paid out in stock in January of 2015.

Benefits

Benefits are an important tool to maintain the market competitiveness of our overall compensation package. AT&T provides personal benefits to its executive officers for three main reasons:

- 1. To effectively compete for talent:** The majority of companies against which AT&T competes for talent provide benefits to their executive officers. AT&T must have a program that is robust and competitive enough to attract and retain key talent.
- 2. To support executive officers in meeting the needs of the business:** We require the around-the-clock commitment and availability of our executive officers. Therefore, we provide benefits that allow the Company to have greater access to our executive officers. These benefits should not be measured solely in terms of any incremental financial cost, but rather the value they bring to the Company through maximized productivity and availability of our executive officers.
- 3. To provide for the safety, security, and personal health of executives:** Our executive officers are charged to care for the long-term health of the Company. In order to facilitate them doing so, we provide certain personal benefits to provide for their safety and personal health.

These benefits are outlined below. We continue to evaluate our benefits based on needs of the business and market practices/trends.

[Deferral Opportunities](#)

Tax-qualified 401(k) Plans

Our plans offer substantially all employees the opportunity to defer income and, at the same time, invest in AT&T stock. We match 80% of employee contributions, limited to the first 6% of compensation (only base salary is matched for officers). Employees hired on or after January 1, 2015, will not receive a pension, and to account for the lack of a pension benefit, we match 100% of the eligible contributions for these employees.

Nonqualified Plans

We provide mid-level and above managers the opportunity for tax-advantaged savings through nonqualified plans. We use our principal nonqualified deferral plan as a way to encourage our managers to invest in and hold AT&T stock on a tax-deferred basis.

Stock Purchase and Deferral Plan: This is our principal nonqualified deferral program. Under this plan, mid-level managers and above may annually elect to defer, through payroll deductions, up to 30% of their salary and annual bonus (officers, including the Named Executive Officers, may defer up to 95% of their short-term award, which is similar to, and paid in lieu of, the annual bonus paid to other management employees) to purchase AT&T deferred share units at fair market value on a tax-deferred basis. Participants receive a 20% match on their deferrals in the form of additional deferred share units. Participants also receive makeup matching deferred share units to replace the match that is not available in the 401(k) because of their participation in AT&T's nonqualified deferral plans or because they exceeded the IRS compensation limits for 401(k) plans. Officers do not receive the make-up match on the contribution of their short-term awards.

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Cash Deferral Plan: Through this plan, eligible managers may also defer cash compensation in the form of salaries and bonuses. The plan pays interest at the Moody's Long-Term Corporate Bond Yield Average, reset annually, which is a common index used by companies for deferral plans. The SEC requires disclosure in the Summary Compensation Table of any earnings on deferred compensation that exceed an amount set by the SEC. These plans are described more beginning on page 61.

Pension Benefits

We offer a tax-qualified group pension plan to substantially all our managers. However, new management hires on or after January 1, 2015, who would otherwise be eligible to participate in the pension plan will instead receive an enhanced match in the 401(k) plan.

We also provide supplemental retirement benefits under nonqualified pension plans, or SERPs, to employees who became officers before 2009. Additional information on pension benefits, including these plans, maybe found beginning on page 57, following the Pension Benefits table.

In 2008, participants in the SERP nonqualified pension plan made elections to take their distributions either as an annuity or as a lump sum. In 2014, the company permitted certain officers who had elected the lump sum option to freeze their benefit as if they had retired at the end of 2014. In exchange, the electing officers gave up credits under the plan for all future compensation, service, and if applicable, age. The frozen benefit will earn a fixed rate of interest equal to 4.3% which represents the discount rate used to determine lump sum benefits for participants who retired in 2014. This change will, for the electing officers, eliminate the impact of fluctuations in the interest rate used to calculate the value of their lump sum benefit. Of the Named Executive Officers, Messrs. de la Vega and Watts elected this option, effective December 30, 2014.

Personal Benefits

We provide our executive officers with other limited and market-based personal benefits, including an automobile benefit, which is a common recruiting and retention tool; club memberships (we allow Company-owned memberships, but do not pay country club fees or dues for executive officers), which afford our executives the opportunity to conduct business in a more informal environment; home security for the safety and security of our executives; tax preparation, estate planning, and financial counseling, which allow our executives to focus more on business responsibilities; and executive disability benefits. The financial counseling benefit provides financial counselors to executives, which helps the Company by ensuring that our executives understand and comply with plan requirements. We also provide our executives communications, broadband/TV and related products and services, which are offered by AT&T at little or no incremental cost.

We permit our executives to use Company aircraft for personal reasons, which allows for the efficient use of their time and for them to privately conduct Company business at any time. However, the CEO is required to reimburse the

incremental Company cost of personal usage. Other executive officers are also required to reimburse the incremental cost of their personal usage unless the CEO decides otherwise on a case-by-case basis. Reimbursements will not be made where prohibited by law. We also provide executive death benefits. More information on death benefits may be found beginning on page 60.

Officers promoted or hired after March 23, 2010, are eligible for an annual executive physical, subject to certain limits. We provide other officers, including our current executive officers with a supplemental health plan for which they pay a portion of the premiums. The plan acts in conjunction with the Company's management health plan, a consumer-driven plan that encourages all employees to be cost-conscious consumers of health care services.

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Certain of these benefits are also offered as post-retirement benefits to officers who meet age and service requirements. Additional information on these post-retirement benefits can be found beginning on page 59.

Equity Retention and Hedging Policy

Stock Ownership Guidelines

The Committee has established stock ownership guidelines for all officers, as follows. We include vested shares held in Company benefit plans in determining attainment of these guidelines.

| Level | Ownership Guideline |
|--------------------|---|
| CEO | 6X Base Salary |
| Executive Officers | Lesser of 3X Base Salary or 50,000 Shares |
| Other Officers | Lesser of 1X Base Salary or 25,000 Shares |

All Officers are given 5 years from assuming their position to achieve compliance.

Holdings of the Named Executive Officers as of December 31, 2014, can be found in the Common Stock Ownership section on page 5.

Retention of Awards

Executive officers are required to hold 25% of the AT&T shares they receive (after taxes and exercise costs) from an incentive, equity, or option award granted to them after January 1, 2012, until one year after they leave the Company.

Hedging Policy

Executive officers are prohibited from hedging their AT&T stock and awards. The prohibition will continue to apply to stock issued from Company awards for one year after they leave the Company.

Limit on Deductibility of Certain Compensation

Federal income tax law prohibits publicly held companies, such as AT&T, from deducting certain compensation paid to a Named Executive Officer that exceeds \$1 million during the tax year. To the extent that compensation is based upon the attainment of performance goals set by the Committee pursuant to plans approved by the stockholders, the compensation is not included in the limit. The Committee intends, to the extent feasible and where it believes it is in the best interests of AT&T and its stockholders, to attempt to qualify executive compensation as tax deductible where it does not adversely affect the Committee's development and execution of effective compensation plans. For example, to enable short- and long-term compensation to be deductible, the Committee strives to make these awards under

stockholder-approved incentive plans.

Similarly, gains on stock option exercises may be deductible if granted under a stockholder-approved plan since they are tied to the performance of the Company's stock price. Salaries and other compensation that are not tied to performance are not deductible to the extent they exceed the \$1 million limit.

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Clawback Policy

The Company intends, in appropriate circumstances, to seek restitution of any bonus, commission, or other compensation received by an employee as a result of such employee's intentional or knowing fraudulent or illegal conduct, including the making of a material misrepresentation contained in the Company's financial statements.

Employment Contracts and Change in Control Severance Plan

We have an employment contract with Mr. de la Vega. The material provisions of this contract are discussed on page 56.

Our executive officers are eligible to participate in the Change in Control Severance Plan, which is more fully described on page 64. We believe this type of plan is necessary to ensure that participants receive certain double-trigger benefits in the event of a change in control of the Company, and to allow the participating officers to focus on their duties during an acquisition. The plan is not intended to replace other compensation elements.

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Executive Compensation Tables

The table below contains information concerning the compensation provided to the Chief Executive Officer, the Chief Financial Officer, and the three other most highly compensated executive officers of AT&T (the *Named Executive Officers*). Compensation information is provided for the years each person in the table was a Named Executive Officer since 2012.

| | | Summary Compensation Table | | | | | | | |
|--|------|----------------------------|------------------|------------|--|------------------|------------------------|---------|------------|
| | | Change in | | | | | | | |
| | | Non-Equity Incentive Plan | | | Pension and Nonqualified Deferred Compensation | | All Other Compensation | | |
| Name and Principal Position | Year | Salary (1) | Bonus Awards (2) | Awards (3) | Option Awards (3) | Compensation (1) | Earnings (4) | (5) | Total |
| | | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) |
| R. Stephenson Chairman, CEO and President | 2014 | 1,691,667 | 0 | 14,248,893 | 0 | 4,350,000 | 3,206,277 | 487,478 | 23,984,315 |
| | 2013 | 1,633,333 | 0 | 13,441,558 | 0 | 5,000,000 | 2,650,073 | 522,203 | 23,247,167 |
| | 2012 | 1,550,000 | 0 | 12,586,590 | 0 | 6,060,000 | 1,234,805 | 803,308 | 22,234,703 |
| J. Stephens Sr. Exec. Vice Pres. and CFO | 2014 | 765,833 | 0 | 4,294,312 | 0 | 1,425,000 | 3,733,775 | 492,177 | 10,711,097 |
| | 2013 | 713,333 | 0 | 3,761,679 | 0 | 1,500,000 | 1,413,393 | 484,681 | 7,873,086 |
| | 2012 | 675,000 | 0 | 3,277,459 | 2,769 | 1,650,000 | 3,156,095 | 307,415 | 9,068,738 |
| R. de la Vega CEO AT&T Mobile and Business Solutions | 2014 | 911,667 | 0 | 7,099,287 | 0 | 1,425,000 | 178,814 | 459,479 | 10,074,247 |
| | 2013 | 891,667 | 0 | 4,652,818 | 0 | 1,560,000 | 1,193,413 | 506,210 | 8,804,108 |
| | 2012 | 872,500 | 0 | 4,417,625 | 1,246 | 1,974,000 | 4,488,817 | 172,141 | 11,926,329 |
| J. Stankey Group Pres. and Chief Strategy Officer | 2014 | 920,000 | 0 | 5,085,374 | 0 | 1,665,000 | 2,301,109 | 218,680 | 10,190,163 |
| | 2013 | 891,667 | 0 | 4,652,818 | 0 | 1,695,000 | 183,197 | 239,898 | 7,662,580 |
| | 2012 | 872,500 | 0 | 4,417,625 | 0 | 2,000,000 | 5,470,375 | 221,508 | 12,982,008 |

| | | | | | | | | | |
|------------------|------|---------|---|-----------|---|-----------|-----------|---------|------------|
| W. Watts | 2014 | 819,167 | 0 | 5,781,613 | 0 | 1,350,000 | 1,768,610 | 356,745 | 10,076,135 |
| Sr. Exec. VP | 2013 | 785,833 | 0 | 3,545,027 | 0 | 1,256,000 | 720,233 | 229,095 | 6,536,188 |
| and Gen. Counsel | 2012 | 762,500 | 0 | 3,405,785 | 0 | 1,578,000 | 1,679,803 | 254,260 | 7,680,348 |

1. *Each of the Named Executive Officers deferred portions of their 2014 salary and/or non-equity incentive awards into the Stock Purchase and Deferral Plan to make monthly purchases of Company stock in the form of stock units based on the price of the underlying AT&T stock as follows: Mr. Stephenson \$506,875, Mr. Stephens \$1,582,813, Mr. de la Vega \$1,627,000, Mr. Stankey \$55,125, and Mr. Watts \$1,527,813. Each unit that the employee purchases is paid out in the form of a share of AT&T stock at the time elected by the employee, along with applicable matching shares. The value of the matching contributions is included under All Other Compensation. A description of the Stock Purchase and Deferral Plan may be found beginning on page 61.*
2. *Amounts in the Stock Awards column represent the grant date values of performance shares, restricted stock, and restricted stock units granted in 2014. The grant date values were determined pursuant to FASB ASC Topic 718. Assumptions used for determining the value of the stock awards reported in these columns are set forth in the relevant AT&T Annual Report to Stockholders in Note 13 to Consolidated Financial Statements, Share-Based Payments. The grant date values of performance shares (which approximate the target awards) included in the table for 2014 were: Mr. Stephenson \$6,998,903, Mr. Stephens \$2,109,320, Mr. de la Vega \$2,497,881, Mr. Stankey \$2,497,881, and Mr. Watts \$1,858,328. The number of performance shares distributed at the end of the performance period is dependent upon the achievement of performance goals. Depending upon such achievement, the potential payouts run from 0% of the target number of performance shares to a maximum payout of 162.5% of the target number of performance shares. The value of the awards (performance shares and restricted stock) will be further affected by the price of AT&T stock at the time of distribution.*
3. *Options granted in 2012 were issued under the Stock Purchase and Deferral Plan. There were no options granted in 2013 or in 2014 and options are not currently offered under the plan. The plan is described beginning on page 61. The weighted-average fair value of each option granted during the year ended December 31, 2012 was \$1.17, with a weighted-average exercise price of \$29.87. The fair value for these options was estimated at the date of grant based on the expected life of the option and historical exercise experience, using a Black-Scholes option pricing model with the following weighted-average assumptions:*

| | |
|--------------------------------------|---------------|
| <i>Risk-free interest rate</i> | <i>1.37%</i> |
| <i>Dividend yield</i> | <i>5.89%</i> |
| <i>Expected volatility factor</i> | <i>15.04%</i> |
| <i>Expected option life in years</i> | <i>7.0</i> |

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4. Under this column, we report earnings on deferrals of salary and incentive awards to the extent the earnings exceed a market rate specified by SEC rules. For the Named Executive Officers, these amounts are as follows for 2014: Mr. Stephenson \$150,799, Mr. Stephens \$0, Mr. de la Vega \$178,814, Mr. Stankey \$3,455, and Mr. Watts \$4,582. Other amounts reported under this heading represent an increase, if any, in pension actuarial value during the reporting period.
5. This column includes personal benefits, Company-paid life insurance premiums, and Company matching contributions to deferral plans for 2014. AT&T does not provide tax reimbursements to executive officers for these benefits. In valuing personal benefits, AT&T uses the incremental cost to the Company of the benefit. To determine the incremental cost of aircraft usage, we multiply the number of hours of personal flight usage (including deadhead flights) by the hourly cost of fuel (Company average) and the hourly cost of maintenance (where such cost is based on hours of use), and we add per flight fees such as landing, ramp and hangar fees, catering, and crew travel costs. Beginning with travel in 2013, Mr. Stephenson reimburses the Company for the incremental cost of any personal use of Company aircraft.

The aggregate incremental cost of personal benefits in 2014 provided to the Named Executive Officers was: Mr. Stephenson \$82,358, Mr. Stephens \$55,754, Mr. de la Vega \$64,709, Mr. Stankey \$77,908, and Mr. Watts \$177,506. Included in the above personal benefits amounts are (1) financial counseling, including tax preparation and estate planning of \$14,000 for each of Messrs. Stephenson, de la Vega, and Watts, Mr. Stephens \$11,500 and Mr. Stankey \$17,200; (2) auto benefits: Mr. Stephenson \$27,114, Mr. Stephens \$16,702, Mr. de la Vega \$16,942, Mr. Stankey \$15,424, and Mr. Watts \$17,189; (3) personal use of Company aircraft: Mr. Stephenson \$0, Mr. Stephens \$1,419, Mr. de la Vega \$7,168, Mr. Stankey \$10,498, and Mr. Watts \$112,577; (4) supplemental health insurance premiums: Messrs. Stephenson and de la Vega \$20,088 each, and Messrs. Stephens, Stankey, and Watts \$19,248 each; (5) club memberships: Mr. Stephenson \$2,708, Messrs. Stephens and de la Vega \$0 each, and Messrs. Stankey and Watts \$2,663 each; (6) communications: Mr. Stephenson \$4,913, Mr. Stephens \$1,383, Mr. de la Vega \$3,375, Mr. Stankey \$5,928, and Mr. Watts \$5,073; and (7) home security: Mr. Stephenson \$7,635, Mr. Stephens \$708, Mr. de la Vega \$834, Mr. Stankey \$1,501, and Mr. Watts \$6,606. Also included in the aggregate incremental cost of personal benefits is the value of sports and/or entertainment event tickets provided to the Named Executive Officers.

Company-paid premiums on supplemental life insurance in 2014 were: Mr. Stephenson \$223,050, Mr. Stephens \$68,960, Mr. de la Vega \$0, Mr. Stankey \$85,647, and Mr. Watts \$90,926.

The Company provides a matching contribution in the 401(k) plan and certain makeup matching contributions in the Stock Purchase and Deferral Plan; the latter plan is discussed in detail beginning on page 61. Total matching contributions in 2014 were: Mr. Stephenson \$182,070, Mr. Stephens \$367,463, Mr. de la Vega \$394,770, Mr. Stankey \$55,125, and Mr. Watts \$88,313.

| Grants of Plan-Based Awards | | | | | | | | | | |
|-----------------------------|-------------------|----------------|------------------------|--------------------------|---------------|----------------|--|---|--|-----|
| Estimated Possible Payouts | | | | Estimated Future Payouts | | | All Other Stock Awards: Number of Shares of Stock or Units (3) | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) | of |
| Under Non-Equity Incentive | | | Under Equity Incentive | | | | | | | |
| Plan Awards (1) | | | Plan Awards (2) | | | | | | | |
| Grant Date | Threshold (\$) | Target (\$) | Maximum (\$) | Threshold (#) | Target (#) | Maximum (#) | (#) | (#) | (\$/Sh) | |
| on 1/30/2014 | 0 | 5,300,000 | 10,600,000 | 108,696 | 217,391 | 353,260 | 217,391 | | | 14, |
| 1/30/2014 | 0 | 1,625,000 | 3,250,000 | 32,759 | 65,517 | 106,465 | 65,517 | | | 4, |
| a 1/30/2014 | 0 | 1,770,000 | 3,540,000 | 38,793 | 77,586 | 126,077 | 77,586 | | | 5, |
| 8/28/2014 | | | | | | | 57,971 | | | 2, |
| 1/30/2014 | 0 | 1,795,000 | 3,590,000 | 38,793 | 77,586 | 126,077 | 77,586 | | | 5, |
| 1/30/2014 | 0 | 1,465,000 | 2,930,000 | 28,861 | 57,721 | 93,797 | 57,721 | | | 3, |
| 6/26/2014 | | | | | | | 56,673 | | | 1, |

1. Under these awards (discussed beginning on page 41), the Committee establishes a target award together with a maximum award equaling 200% of the target award. If the performance requirement is met, the Committee reviews the overall performance of the Company (including the three key measures), business unit results, and the individual performance of each officer to determine the appropriate payouts, not to exceed the maximum award. If the performance requirement is not met, no award may be paid.
2. Represents performance share awards discussed beginning on page 44.
3. Represents restricted stock unit grants discussed beginning on page 45. The 2014 units vest and distribute in January 2018. Additionally, units vest upon an employee becoming retirement eligible, but do not distribute until the established distribution date. Messrs. Stephenson, de la Vega, Stankey and Watts were retirement eligible as of the grant date. Mr. Stephens became retirement eligible on June 2, 2014.

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| Outstanding Equity Awards at December 31, 2014 | | | | | | | | |
|--|---|---|----------------|------------------------|---|---|--|--|
| Name | Option Awards (1) | | | | Stock Awards | | | |
| | Number of Securities Underlying Unexercised Options | Number of Securities Underlying Exercisable Options | Exercise Price | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested | Market Value of Shares or Units of Stock That Have Not Vested | Equity Incentive Plans Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested | Equity Incentive Plans Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested |
| | (#) | (#) | (\$) | Date | (#) | (\$) | (#) | (\$) |
| Stephenson | 89,320 | | 24.0100 | 6/15/15 | | | | |
| | 19,405 | | 28.3200 | 2/15/16 | | | | |
| | 105,081 | | 27.7300 | 6/15/16 | | | | |
| | 15,102 | | 37.2300 | 2/15/17 | | | | |
| | 98,764 | | 40.2800 | 6/15/17 | | | | |
| | 14,720 | | 37.8800 | 2/15/18 | | | | |
| | 230,102 | | 36.1700 | 6/16/18 | | | | |
| | 30,472 | | 23.2200 | 2/17/19 | | | | |
| | 14,627 | | 24.6300 | 6/15/19 | | | | |
| | 20,664 | | 25.3200 | 2/16/20 | | | | |
| | 379,336 | | 25.5400 | 6/15/20 | | | | |
| | 29,345 | | 28.2400 | 2/15/21 | | | | |
| 2014-2016 Perf. Shares | | | | | | | 271,739 | 9,127,713 |

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| | | | | | | |
|------------------------|--------|---------|---------|-----------|---------|-----------|
| 2013-2015 Perf. Shares | | | | | 245,221 | 8,236,973 |
| Stephens | 17,378 | 24.0100 | 6/15/15 | | | |
| | 5,342 | 28.3200 | 2/15/16 | | | |
| | 17,656 | 27.7300 | 6/15/16 | | | |
| | 4,026 | 37.2300 | 2/15/17 | | | |
| | 14,589 | 40.2800 | 6/15/17 | | | |
| | 3,348 | 37.8800 | 2/15/18 | | | |
| | 16,241 | 36.1700 | 6/16/18 | | | |
| | 6,656 | 23.2200 | 2/17/19 | | | |
| | 16,973 | 24.6300 | 6/15/19 | | | |
| | 8,454 | 25.3200 | 2/16/20 | | | |
| | 38,069 | 25.5400 | 6/15/20 | | | |
| | 9,730 | 28.2400 | 2/15/21 | | | |
| | 39,919 | 30.3500 | 6/15/21 | | | |
| | 2,373 | 29.8700 | 2/15/22 | | | |
| 2014-2016 Perf. Shares | | | | | 81,896 | 2,750,887 |
| 2013-2015 Perf. Shares | | | | | 68,626 | 2,305,147 |
| de la Vega | 12,397 | 24.6300 | 6/15/19 | | | |
| | 6,251 | 25.3200 | 2/16/20 | | | |
| | 22,160 | 25.5400 | 6/15/20 | | | |
| | 6,838 | 28.2400 | 2/15/21 | | | |
| | 17,971 | 30.3500 | 6/15/21 | | | |
| | 1,068 | 29.8700 | 2/15/22 | | | |
| 2014-2016 Perf. Shares | | | | | 96,983 | 3,257,659 |
| 2013-2015 Perf. Shares | | | | | 84,884 | 2,851,254 |
| 2014 Restricted Stock | 57,971 | | | 1,947,246 | | |

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Executive Compensation Tables

| Outstanding Equity Awards at December 31, 2014 | | | | | | | | |
|--|---|---|----------------|-----------------|---|---|---|--|
| Name | Option Awards (1) | | | | Stock Awards | | | |
| | Number of Securities Underlying Unexercised Options That Can Be Exercised | Number of Securities Underlying Exercised Options | Exercise Price | Expiration Date | Number of Shares or Units of Stock That Have Not Vested | Market Value of Shares or Units of Stock That Have Not Vested | Number of Unearned Shares, Units or Other Rights That Have Not Vested | Equity Incentive Plans Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested |
| | (#) | (#) | (\$) | Date | (#) | (\$) | (#) | (\$) |
| Stankey | 1,661 | | 28.3200 | 2/15/16 | | | | |
| | 934 | | 27.7300 | 6/15/16 | | | | |
| | 1,337 | | 37.2300 | 2/15/17 | | | | |
| | 794 | | 40.2800 | 6/15/17 | | | | |
| | 1,234 | | 37.8800 | 2/15/18 | | | | |
| | 1,073 | | 36.1700 | 6/16/18 | | | | |
| | 2,073 | | 23.2200 | 2/17/19 | | | | |
| | 1,675 | | 24.6300 | 6/15/19 | | | | |
| | 2,366 | | 25.3200 | 2/16/20 | | | | |
| | 1,658 | | 25.5400 | 6/15/20 | | | | |
| | 2,326 | | 28.2400 | 2/15/21 | | | | |
| 2014-2016 Perf. Shares | | | | | | | 96,983 | 3,257,659 |
| 2013-2015 Perf. Shares | | | | | | | 84,884 | 2,851,254 |
| Watts | 1,281 | | 28.3200 | 2/15/16 | | | | |
| | 564 | | 27.7300 | 6/15/16 | | | | |

| | | | | | |
|------------------------|--------|-----------|---------|--------|-----------|
| | 774 | 37.2300 | 2/15/17 | | |
| | 470 | 40.2800 | 6/15/17 | | |
| | 1,010 | 37.8800 | 2/15/18 | | |
| | 803 | 36.1700 | 6/16/18 | | |
| | 1,597 | 23.2200 | 2/17/19 | | |
| | 3,228 | 24.6300 | 6/15/19 | | |
| | 4,561 | 25.3200 | 2/16/20 | | |
| | 3,366 | 25.5400 | 6/15/20 | | |
| | 4,943 | 28.2400 | 2/15/21 | | |
| 2014-2016 Perf. Shares | | | | 72,151 | 2,423,552 |
| 2013-2015 Perf. Shares | | | | 64,674 | 2,172,400 |
| 2014 Restricted Stock | 56,673 | 1,903,646 | | | |

1. *Stock options were granted based upon the amount of stock purchased by mid-level and above managers under the Stock Purchase and Deferral Plan, described in the narrative following the Nonqualified Deferred Compensation table. Stock options are not currently offered under the plan. Options were vested at issuance but were not exercisable until the earlier of the first anniversary of the grant or the termination of employment of the option holder. Options expire ten years after the grant date; however, option terms may be shortened due to termination of employment of the holder.*
2. *Mr. de la Vega's 2014 restricted stock grant vests in 2016. Mr. Watts' 2014 restricted stock grant vests in 2015.*
3. *Performance shares are paid after the end of the performance period shown for each award. The actual number of shares paid out is dependent upon the achievement of the related performance objectives and approval of the Human Resources Committee. In this column, we report the number of outstanding performance shares and their theoretical value based on the price of AT&T stock on December 31, 2014. In calculating the number of performance shares and their value, we are required by SEC rules to compare the Company's performance through 2014 under each outstanding performance share grant against the threshold, target, and maximum performance levels for the grant and report in this column the applicable potential payout amount. If the performance is between levels, we are required to report the potential payout at the next highest level. For example, if the previous fiscal year's performance exceeded target, even if it is by a small amount and even if it is highly unlikely that we will pay the maximum amount, we are required by SEC rules to report the awards using the maximum potential payouts. The performance measure for 75% of the shares in each grant is Return on Invested Capital (ROIC), and for the remaining 25%, the performance measure is Total Stockholder Return (TSR). As of the end of 2014, for each of the outstanding grants, the ROIC achievement was above target level and the TSR achievement was below the threshold level. This required the ROIC portion of these grants to be reported at their maximum award values and the TSR portion of these grants to be reported at their threshold award values.*

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| Option Exercises and Stock Vested During 2014 | | | | |
|---|----------------------|----------------|---------------------|----------------|
| Name | Option Awards | | Stock Awards (1) | |
| | Number of Shares | Value Realized | Number of Shares | Value Realized |
| | Acquired on Exercise | on Exercise | Acquired on Vesting | on Vesting |
| | (#) | (\$) | (#) | (\$) |
| Stephenson | 16,085 | 180,152 | 401,390 | 13,314,586 |
| Stephens | 0 | 0 | 259,687 | 9,071,540 |
| de la Vega | 0 | 0 | 142,166 | 4,716,037 |
| Stankey | 5,227 | 66,303 | 295,364 | 10,134,650 |
| Watts | 0 | 0 | 107,509 | 3,566,004 |

1. *Included in the above amounts are restricted stock unit grants that vested in 2014 but are not yet distributable. These units vest at the earlier of the scheduled vesting date or upon the employee becoming retirement eligible. If the units vest because of retirement eligibility, they will still not be distributed until the scheduled vesting date. When Mr. Stephens became retirement eligible on June 2, 2014, he vested in restricted stock units that will not be distributed until 2015 (27,551), 2016 (56,367), 2017 (54,901) and 2018 (65,517). The other Named Executive Officers received restricted stock units in 2014 that vested at grant because of their retirement eligibility but will not be distributed until 2018 as follows: Mr. Stephenson 217,391, Mr. de la Vega 77,586, Mr. Stankey 77,586 and Mr. Watts 57,721.*

| Pension Benefits (Estimated for December 31, 2014) | | | | |
|--|---|-------------------------------------|------------------|-------------|
| Name | Plan Name | Number of Years Credited Service | Present Value of | Payments |
| | | | Accumulated | During Last |
| | | | Benefits (1) | Fiscal Year |
| | | (#) | (\$) | (\$) |
| Stephenson | Pension Benefit Plan Nonbargained Program | 32 | 1,481,965 | 0 |
| | Pension Benefit Make Up Plan | 15 | 6,861 | 0 |
| | SRIP | 22 | 2,552,134 | 0 |
| | SERP | 30 | 44,279,447 | 0 |
| Stephens | Pension Benefit Plan Nonbargained Program | 22 | 1,145,761 | 0 |
| | Pension Benefit Make Up Plan | 8 | 52,609 | 0 |
| | SRIP | 12 | 338,018 | 0 |

| | | | | | |
|------------|------------------------------|----------------------|----|------------|---|
| | SERP | | 22 | 11,381,495 | 0 |
| de la Vega | Pension Benefit Plan | Mobility Program | 11 | 157,712 | 0 |
| | BellSouth SERP | | 36 | 15,414,455 | 0 |
| | SERP | | 40 | 7,018,064 | 0 |
| Stankey | Pension Benefit Plan | Nonbargained Program | 29 | 1,277,988 | 0 |
| | SRIP | | 19 | 408,856 | 0 |
| | SERP | | 29 | 22,319,452 | 0 |
| Watts | Pension Benefit Plan | Nonbargained Program | 31 | 1,333,008 | 0 |
| | Pension Benefit Make Up Plan | | 15 | 173,310 | 0 |
| | SRIP | | 21 | 1,011,251 | 0 |
| | SERP | | 31 | 15,059,024 | 0 |

1. *Pension benefits reflected in the above table were determined using the methodology and material assumptions set forth in the 2014 AT&T Annual Report to Stockholders in Note 12 to Consolidated Financial Statements, Pension and Postretirement Benefits, except that, as required by SEC regulations, the assumed retirement age is the specified normal retirement age in the plan unless the plan provides a younger age at which benefits may be received without a discount based on age, in which case the younger age is used. For the Nonbargained Program under the Pension Benefit Plan and the Pension Benefit Make Up Plan, the assumed retirement age is the date a participant is at least age 55 and meets the modified rule of 75, which requires certain combinations of age and service that total at least 75. For the Mobility Program under the Pension Benefit Plan, the assumed retirement age for the cash balance formula is age 65. For the AT&T SRIP/SERP, the assumed retirement age is the earlier of the date the participant reaches age 60 or has 30 years of service (the age at which an employee may retire without discounts for age). For the BellSouth SERP, the assumed retirement age is the date the participant reaches age 62. If a participant has already surpassed the earlier of these dates, then the assumed retirement age used for purposes of this table is determined as of December 31, 2014.*

For each of the Named Executive Officers, SRIP/SERP benefits in the table have been reduced for benefits available under the qualified plans and by a specified amount that approximates benefits available under other nonqualified plans included in the table. Mr. de la Vega's SERP benefit was also reduced for distribution from the Southeast Program of the Pension Benefit Plan when he transferred to AT&T Mobility in 2003 (then known as Cingular) and began accruing benefits under what is now the Mobility Program. Mr. de la Vega's BellSouth SERP has been frozen in the form of a fixed lump sum benefit.

Table of Contents*Executive Compensation Tables***Employment Contracts**

There are no employment agreements with any of the Named Executive Officers, except for the following:

Rafael de la Vega

Mr. de la Vega has an employment contract that provides for his continued participation in the BellSouth Corporation Supplemental Executive Retirement Plan (*BellSouth SERP*) while he is employed by AT&T Mobility (formerly Cingular) and provides for certain benefits in the event of his termination of employment with AT&T Mobility. In connection with his transfer from BellSouth to what was then Cingular in 2003, BellSouth agreed to maintain Mr. de la Vega in the BellSouth SERP while Mr. de la Vega was employed by Cingular. In addition, if Mr. de la Vega was terminated from Cingular for any reason, BellSouth agreed to hire him back. If BellSouth failed to rehire Mr. de la Vega in a comparable position, or in the event Mr. de la Vega died or terminated employment because of disability before returning to BellSouth, Mr. de la Vega or his beneficiary, as applicable, would receive a lump sum payment equal to two times his salary and target bonus. See discussion beginning on page 58 regarding his accrual of future benefits in the AT&T SERP.

Qualified Pension Plan

We offer post-retirement benefits, in various forms, to nearly all our managers. The AT&T Pension Benefit Plan, a qualified pension plan under the Internal Revenue Code, covers nearly all of our employees and each of the Named Executive Officers. The applicable benefit accrual formula depends on the subsidiaries that have employed the participant.

Nonbargained Program

Each of the Named Executive Officers, except for Mr. de la Vega, is covered by the Nonbargained Program. Participants receive the greater of the benefit determined under the Career Average Minimum (*CAM*) formula or the cash balance formula, each of which is described below. Managers hired after January 1, 2015, will no longer be eligible for a pension but will receive an enhanced company match in the 401(k) plan.

CAM Formula

The CAM formula applicable to the Named Executive Officers (other than Mr. de la Vega) covers AT&T managers other than persons that were employed by AT&T Corp., BellSouth, or AT&T Mobility (and their respective subsidiaries) prior to our respective acquisitions of those companies. The CAM formula provides an annual benefit equal to 1.6% of the participant's average pension-eligible compensation (generally, base pay, commissions, and annual bonuses, but not officer bonuses paid to individuals promoted to officer level before January 1, 2009) for the five years ended December 31, 1999, multiplied by the number of years of service through the end of the December 31, 1999, averaging period, plus 1.6% of the participant's pension-eligible compensation thereafter. Employees who meet the modified rule of 75 and are at least age 55 are eligible to retire without age or service

discounts. The modified rule of 75 establishes retirement eligibility when certain combinations of age and service total at least 75.

Cash Balance Formula

The cash balance formula was frozen, except for interest credits, on January 14, 2005. The cash balance formula provided an accrual equal to 5% of pension-eligible compensation plus monthly interest credits on the participant's cash balance account. The interest rate is reset quarterly and is equal to the published average annual yield for the 30-year Treasury Bond as of the middle month of

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the preceding quarter. The plan permits participants to take the benefit in various actuarially equivalent forms, including a regular annuity or, to a limited extent, a lump sum calculated as the present value of the annuity.

Individuals hired on or after January 1, 2007 (January 1, 2006, for AT&T Mobility and its respective subsidiaries prior to our acquisition of those companies) and before January 1, 2015, are not able to participate in either the CAM formula or the cash balance formula. Instead, these managers will receive a benefit based on an age-graded cash balance formula.

Mobility Program

Mr. de la Vega is covered by the Mobility Program, which is part of the tax-qualified AT&T Pension Benefit Plan. This program covers employees of AT&T Mobility that were hired prior to 2006. The Mobility Program is the qualified pension plan previously offered by AT&T Mobility that was merged into the AT&T Pension Benefit Plan. Participants in the Mobility Program are generally entitled to receive a cash balance benefit equal to the monthly basic benefit credits of 5% of the participant's pension-eligible compensation (generally, base pay, commissions, and group incentive awards, but not individual awards) plus monthly interest credits on the participant's cash balance account. The interest rate for cash balance credits is reset quarterly and is equal to the published average annual yield for the 30-year Treasury Bond as of the middle month of the preceding quarter. The plan permits participants to take the benefit in various actuarially equivalent forms, including an annuity or a lump sum calculated as the greater of the cash balance account balance, or the present value of the grandfathered pension benefit annuity.

Pension Benefit Make Up Plan

To the extent the Internal Revenue Code places limits on the amounts that may be earned under a qualified pension plan, managers instead receive these amounts under the nonqualified Pension Benefit Make Up Plan but only for periods prior to the person becoming a participant in the SRIP/SERP below, if applicable. The Pension Benefit Make Up Plan benefit is paid in the form of a 10-year annuity or in a lump sum if the present value of the annuity is less than \$50,000.

Nonqualified Pension Plans

Employees are limited by tax law in the amount of benefit they may receive under a qualified pension plan. We offer our executive officers and other officers (who became officers prior to 2005) supplemental retirement benefits under the Supplemental Retirement Income Plan (*SRIP*) and, for those serving as officers between 2005-2008, its successor, the 2005 Supplemental Employee Retirement Plan (*SERP*), as additional retention tools. As a result of changes in the tax laws, beginning December 31, 2004, participants ceased accruing benefits under the SRIP, the original supplemental plan. After December 31, 2004, benefits are earned under the SERP. Participants make separate distribution elections (annuity or lump sum) for benefits earned and vested before 2005 (under the SRIP) and for benefits accrued during and after 2005 (under the SERP). Elections for the portion of the pension that accrued in and after 2005, however, must have been made when the officer first participated in the SERP. Vesting in the SERP requires five years of service (including four years of participation in the SERP). Each of the Named Executive

Officers is vested in the SERP. Regardless of the payment form, no benefits under the SERP are payable until six months after termination of employment. An officer's benefits under these nonqualified pension plans are reduced by: (1) benefits due under qualified AT&T pension plans and (2) a specific amount that approximates the value of the officer's benefit under other nonqualified pension plans, determined generally as of December 31, 2008. *These supplemental benefits are neither funded by nor are a part of the qualified pension plan.*

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Each of the Named Executive Officers is eligible to receive these benefits. *However, the Human Resources Committee has determined to no longer allow new officers to participate in these supplemental retirement benefits, but may do so if it deems it necessary to attract or retain key talent or for other appropriate business reasons.*

Calculation of Benefit

Under the SRIP/SERP, the target annual retirement benefit is stated as a percentage of a participant's annual salary and annual incentive bonus averaged over a specified period described below. The percentage is increased by 0.715% for each year of actual service in excess of, or decreased by 1.43% (0.715% for mid-career hires) for each year of actual service below, 30 years of service. In the event the participant retires before reaching age 60, a discount of 0.5% for each month remaining until the participant attains age 60 is applied to reduce the amount payable under this plan, except for officers who have 30 years or more of service at the time of retirement. Of the Named Executive Officers currently employed by the Company, only Messrs. Stephenson, de la Vega, and Watts are eligible to retire without either an age or service discount under this plan. These benefits are also reduced by any amounts participants receive under a qualified pension plan and by a frozen, specific amount that approximates the amount they receive under our other nonqualified pension plans, calculated as if the benefits under these plans were paid in the form of an immediate annuity for life.

For all but Mr. Stephenson, Mr. de la Vega, and Mr. Watts (see below), the salary and bonus used to determine their SRIP/SERP amount is the average of the participant's salary and actual annual incentive bonuses earned during the 36-consecutive-month period that results in the highest average earnings that occurs during the 120 months preceding retirement. In some cases, the Human Resources Committee may require the use of the target bonus, or a portion of the actual or target bonus, if it believes the actual bonus is not appropriate. The target annual retirement percentage for the Chief Executive Officer is 60%, and for other Named Executive Officers the target percentage ranges from 50% to 60%. Beginning in 2006, the target percentage was limited to 50% for all new participants (see note above on limiting new participants after 2008). If a benefit payment under the plan is delayed by the Company to comply with Federal tax rules, the delayed amounts will earn interest at the rate the Company uses to accrue the present value of the liability, and the interest will be included in the appropriate column(s) in the Pension Benefits table.

The plan was amended in 2014 to allow certain officers who had previously elected to receive their benefit as an actuarially determined lump sum to elect to freeze their benefit and receive a fixed 4.3% rate of interest on that amount, effective December 30, 2014. In exchange, the electing officers gave up all future compensation, service and, if applicable, age credits under the plan. The interest rate on their benefit was equal to the discount rate for calculating the lump sum for participants retiring in 2014. This change eliminates the impact of fluctuations in the interest rate used to calculate the value of their lump sum benefit in the event they leave after 2014. This option was offered to selected executive officers. Of the Named Executive Officers, Messrs. de la Vega and Watts were offered and elected this option.

Mr. Stephenson's Benefit

Mr. Stephenson's SERP benefit was modified in 2010. For purposes of calculating his SERP benefit, the Company froze his compensation as of June 30, 2010. He stopped accruing age and service credits as of December 31, 2012, at which time his benefit was determined as a lump sum amount, which thereafter earns interest. The discount rate for calculating the lump sum as well as the interest crediting rate is 5.8%.

Mr. de la Vega's Benefit

While Mr. de la Vega participates in the AT&T SERP, he is also a participant in the BellSouth SERP, which acts as an offset to his AT&T SERP benefit. Because his BellSouth SERP benefit will never exceed

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the AT&T benefit, his total benefit is determined using the AT&T SERP calculation. Mr. de la Vega's SERP benefit was also reduced for distribution from the Southeast Program of the Pension Benefit Plan when he transferred to AT&T Mobility in 2003 (then known as Cingular) and began accruing benefits under what is now the Mobility Program.

In addition, the BellSouth SERP also provides a lump sum death benefit payable to the participant's beneficiaries equal to his annual base pay rate as of December 31, 2005, plus two times his standard target bonus as of December 31, 2005. As a result, Mr. de la Vega's death benefit will be paid in the amount of \$1.86 million.

Forms of Payment*Annuity*

Participants may receive benefits as an annuity payable for the greater of the life of the participant or ten years. If the participant dies within ten years after leaving the Company, then payments for the balance of the ten years will be paid to the participant's beneficiary. Alternatively, the participant may elect to have the annuity payable for life with 100% or 50% payable upon his or her death to his or her beneficiary for the beneficiary's life. The amounts paid under each alternative (and the lump sum alternative described below) are actuarially equivalent. As noted above, separate distribution elections are made for pre-2005 benefits and 2005 and later benefits.

Lump Sum

Participants may elect that upon retirement at age 55 or later to receive the actuarially determined net present value of the benefit as a lump sum, rather than in the form of an annuity. To determine the net present value, we use the discount rate used for determining the projected benefit obligation at December 31 of the second calendar year prior to the year of retirement. Participants may also elect to take all or part of the net present value over a fixed period of years elected by the participant, not to exceed 20 years, earning interest at the same discount rate. A participant is not permitted to receive more than 30% of the net present value of the benefit before the third anniversary of the termination of employment, unless he or she is at least 60 years old at termination, in which case the participant may receive 100% of the net present value of the benefit as early as six months after the termination of employment. Eligible participants electing to receive more than 30% of the net present value of the benefit within 36 months of their termination must enter into a written noncompetition agreement with us and agree to forfeit and repay the lump sum if they breach that agreement.

Other Post-Retirement Benefits

Named Executive Officers who retire after age 55 with at least five years of service or who are retirement eligible under the modified rule of 75 continue to receive the benefits shown in the following table after retirement, except that only Mr. Stephenson is entitled to receive supplemental health benefits after retirement. Benefits that are available generally to managers are omitted from the table. All Named Executive Officers are currently retirement eligible.

Financial counseling benefits will be made available to the executive officers for 36 months following retirement. We do not reimburse taxes on personal benefits for executive officers, other than certain non-deductible relocation costs, which along with the tax reimbursement, we make available to nearly all management employees. The supplemental health benefit is in addition to the group health plan and is provided to Mr. Stephenson for life based on eligibility provisions that existed before he became CEO. During their employment, officers are subject to an annual deductible on health benefits, co-insurance, and a portion of the premium. Officers who are eligible to receive the benefit in

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retirement have no annual deductible or co-insurance, but they must pay larger premiums. In addition, we also provide communications, broadband/TV and related services and products; however, to the extent the service is provided by AT&T, it is typically provided at little or no incremental cost. These benefits are subject to amendment.

| Other Post-Retirement Benefits | |
|---|--|
| Estimated Amount | |
| Personal Benefit | (valued at our incremental cost) |
| Financial counseling | Maximum of \$14,000 per year for 36 months |
| Financial counseling provided in connection with retirement | Up to \$20,000 total |
| Estate planning | Up to \$10,000 per year for 36 months |
| Communication benefits | Average of \$2,400 annually |
| Supplemental health insurance premiums | |

(Mr. Stephenson only) Approximately \$4,308 annually, which is in addition to required contributions from the employee. In the event of the officer's termination of employment due to death, the officer's unvested restricted stock units and restricted stock, if any, will vest, and outstanding performance shares will pay out at 100% of target. As a result, if a Named Executive Officer had died at the end of 2014, the amounts of performance shares, restricted stock units, and/or restricted stock, as applicable, that would have vested and been distributed are: Mr. Stephenson \$13,891,749, Mr. Stephens \$4,044,841, Mr. de la Vega \$6,828,310, Mr. Stankey \$4,887,110, and Mr. Watts \$5,580,407.

In the event of termination of employment due to disability, unvested restricted stock units and restricted stock, if any, will vest; however, restricted stock units will not pay out until their scheduled vesting times. As a result, if such an event had occurred to a Named Executive Officer at the end of 2014, the following amounts of restricted stock would have vested: Mr. de la Vega \$1,941,200 and Mr. Watts \$1,903,646. Conversely, performance shares will not be accelerated in the event of a termination due to disability but will be paid solely based on the achievement of the pre-determined performance goals.

We pay recoverable premiums on split-dollar life insurance that provides a specified death benefit to beneficiaries of each Named Executive Officer. The benefit is equal to one times salary during his or her employment, except for the

Chief Executive Officer who receives two times salary. After retirement, for officers who first participated after 1997, the death benefit remains one times salary until he or she reaches age 66; the benefit is then reduced by 10% each year until age 70, when the benefit becomes one-half of his or her final salary. For officers who participated in 1997, including Messrs. Stephenson and Stephens, the post-retirement death benefit is one times salary. In addition, managers who were officers in 1997 are entitled to additional one times salary death benefit while employed and during retirement.

In addition to the foregoing, Mr. Stephenson, Mr. Stephens, Mr. Stankey, and Mr. Watts purchased optional additional split-dollar life insurance coverage equal to two times salary, which is subsidized by the Company. If the policies are not fully funded upon the retirement of the officer, we continue to pay our portion of the premiums until they are fully funded.

Basic death benefits payable to Mr. de la Vega under the AT&T plan are reduced by \$900,000, which represents the sum of death benefits provided by (1) a BellSouth policy with a face amount of \$400,000 that was transferred to Mr. de la Vega in 2007, and (2) two BellSouth policies with a combined face amount of \$500,000 owned by Mr. de la Vega. Under the latter policies, the Company and Mr. de la Vega share the payment of premiums (the final payments were made in 2013), and the policies provide either a death benefit to Mr. de la Vega's beneficiary(ies) or an accumulated cash value

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available to Mr. de la Vega. The Company does not recover any of its premium payments under Mr. de la Vega's policies. Currently, the \$900,000 of coverage from BellSouth policies completely offsets any basic death benefit provided by the AT&T plan.

We also provide death benefits in connection with Mr. de la Vega's BellSouth SERP (described on page 59) and Mr. Watts' Senior Management Deferred Compensation Plan of 1988 (described on page 63).

| Name | Plan (1) | Nonqualified Deferred Compensation | | | | |
|------------|---|---|--|--|--|---|
| | | Executive Contributions in Last FY (2) (\$) | Registrant Contributions in Last FY (2) (\$) | Aggregate Earnings in Last FY (2)(3) (\$) | Aggregate Withdrawals/ Distributions (\$) | Aggregate Balance at Last FYE (2) (\$) |
| Stephenson | Stock Purchase and Deferral Plan | 506,875 | 169,995 | (11,070) | 619,276 | 6,478,130 |
| | Cash Deferral Plan | 4,750,000 | | 688,172 | | 15,060,943 |
| Stephens | Stock Purchase and Deferral Plan | 1,654,063 | 354,983 | 18,011 | 2,087,943 | 2,391,497 |
| de la Vega | Stock Purchase and Deferral Plan | 1,755,250 | 386,026 | 162,870 | 420,766 | 6,581,322 |
| | Cash Deferral Plan | 455,417 | | 226,823 | 85,646 | 4,934,345 |
| | BellSouth Nonqualified Deferred Income Plan | | | 53,875 | 33,685 | 388,389 |
| | AT&T Mobility Cash Deferral Plan | | | 34,934 | | 740,672 |
| | AT&T Mobility 2005 Cash Deferral Plan | | | 451,992 | | 9,583,142 |
| Stankey | Stock Purchase and Deferral Plan | 55,125 | 42,645 | (5,444) | 216,864 | 1,686,775 |
| | Cash Deferral Plan | | | 15,751 | | 328,119 |
| Watts | Stock Purchase and Deferral Plan | 245,313 | 80,463 | 4,109 | | 1,524,523 |
| | Cash Deferral Plan | 408,854 | | 16,937 | | 556,758 |
| | Sr. Mgmt Deferred Comp. Plan of 1988 (4-Yr Units) | | | 4,322 | | 91,632 |

- 1. Amounts attributed to the Stock Purchase and Deferral Plan or to the Cash Deferral Plan also include amounts from their predecessor plans. No further contributions are permitted under the predecessor plans.*
- 2. Of the amounts reported in the contributions and earnings columns and also included in the aggregate balance column in the table above, the following amounts are reported as compensation for 2014 in the Summary Compensation Table : Mr. Stephenson \$827,669, Mr. Stephens \$584,045, Mr. de la Vega \$1,316,107, Mr. Stankey \$101,225, and Mr. Watts \$739,211. Of the amounts reported in the aggregate balance column, the following aggregate amounts were previously reported in the Summary Compensation Table for 2013 and 2012, combined: Mr. Stephenson \$10,647,642, Mr. Stephens \$1,425,000, Mr. de la Vega \$5,251,275, Mr. Stankey \$139,544, and Mr. Watts \$332,267.*
- 3. Aggregate Earnings include interest, dividend equivalents, and stock price appreciation/depreciation. The Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table includes only the interest that exceeds the SEC market rate, as shown in footnote 4 to the Summary Compensation Table .*

Stock Purchase and Deferral Plan (SPDP)

Under the SPDP and its predecessor plan, mid-level managers and above may annually elect to defer up to 30% of their salary and annual bonus. Officers, including the Named Executive Officers, may defer up to 95% of their short-term award, which is similar to, and paid in lieu of, the annual bonus

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paid to other management employees. In addition, the Human Resources Committee may approve other contributions to the plan. These contributions are made through payroll deductions and are used to purchase AT&T deferred share units (each representing the right to receive a share of AT&T stock) at fair market value on a tax-deferred basis. Participants receive a 20% match in the form of additional deferred share units; however, with respect to short-term awards, officer level participants receive the 20% match only on the purchase of deferred share units that represent no more than their target awards. In addition, the Company provides makeup matching contributions in the form of additional deferred share units in order to generally offset the loss of match in the 401(k) plan caused by participation in the SPDP and the CDP, and to provide match on compensation that exceeds Federal compensation limits for 401(k) plans. The makeup match is an 80% match on contributions from the first 6% of salary and bonus (the same rate as used in the Company's principal 401(k) plan), *reduced* by the amount of matching contributions the employee is eligible to receive (regardless of actual participation) in the Company's 401(k) plan. Officer level employees do not receive a makeup match on the contribution of their short-term awards. Deferrals are distributed in AT&T stock at times elected by the participant. For salary deferrals prior to 2011 and bonus deferrals prior to 2012, in lieu of the 20% match, participants received two stock options for each deferred share unit acquired. Each stock option had an exercise price equal to the fair market value of the stock on the date of grant.

Cash Deferral Plan (CDP)

Managers who defer at least 6% of salary in the SPDP may also defer up to 50% (25% in the case of mid-level managers) of salary into the CDP. Similarly, managers that defer 6% of bonuses in the SPDP may also defer bonuses in the CDP, subject to the same deferral limits as for salary; however officer level managers may defer up to 95% of their short-term award into the CDP without a corresponding SPDP deferral. In addition, the Human Resources Committee may approve other contributions to the plan. We pay interest at the Moody's Long-Term Corporate Bond Yield Average for the preceding September (the *Moody's rate*), a common index used by companies. Pursuant to the rules of the SEC, we include in the Summary Compensation Table under Change in Pension Value and Nonqualified Deferred Compensation Earnings any earnings on deferred compensation that exceed a rate determined in accordance with SEC rules. Deferrals are distributed at times elected by the participant. Similarly, under its predecessor plan, managers could defer salary and incentive compensation to be paid at times selected by the participant. No deferrals were permitted under the prior plan after 2004. Account balances in the prior plan are credited with interest at a rate determined annually by the Company, which will be no less than the prior September Moody's rate.

Other Nonqualified Deferred Compensation Plans

Certain of the Named Executive Officers also participated in deferred compensation plans that are now closed to additional contributions and are described below.

[AT&T Mobility Cash Deferral Plan](#)

Mr. de la Vega has a balance in the AT&T Mobility Cash Deferral Plan, a nonqualified, executive deferred compensation plan. The plan permitted officers and senior managers to defer between 6% and 50% of their base pay and between 6% and 75% of their annual bonus and long-term compensation awards into the plan. The Company

provided a match equal to 80% of 6% of the salary and annual bonus deferred by the participant. The plan also provided an additional match when a participant's salary and annual bonus exceeded Internal Revenue Code qualified plan limits. Benefits under the plan are unfunded. Account balances earn interest at a rate that is reset each calendar year

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based on the Moody's rate for the prior September. Distributions occur according to employee elections. AT&T Mobility adopted a successor plan, known as the AT&T Mobility 2005 Cash Deferral Plan, having substantially the same terms as the original plan except with respect to the timing of deferral and distribution elections. No new deferrals were permitted after 2008.

BellSouth Nonqualified Deferred Income Plan

Mr. de la Vega also made contributions from his BellSouth compensation to this nonqualified deferred compensation plan. Under Schedule A of the plan, senior managers were permitted to make up to two annual deferrals of up to 25% of their salary and bonus. Beginning with the 7th year after the deferral, the plan returned the original deferral to the participant in one to three annual installments, depending on the year of the deferral. Mr. de la Vega's deferrals under Schedule A receive fixed rates of 17.0% and 17.5% for his 1991 and 1993 deferrals, respectively. The balance is paid in 15 annual installments beginning at age 65. Under Schedule B, participants were able to defer up to 10% of their salary and bonus; distributions are made at the election of the participant. Mr. de la Vega's deferrals under Schedule B receive fixed rates of 11.0% for his 1994 deferral and 10% for his 1995 deferral. No new deferrals were permitted under this plan after 1998.

Senior Management Deferred Compensation Plan of 1988

Eligible managers were permitted to make elections under this plan to defer, over four-year deferral periods, between 6% and 30% of their eligible compensation. No new deferral periods could be started after 1990. Participant contributions were matched in this plan at the same rate that applied under the 401(k) plan in lieu of match in the 401(k) plan. Account balances are credited with interest during the calendar year at a rate determined annually by the Company, which may not be less than the Moody's rate for the prior September. Distributions occur in accordance with employee elections. Of the Named Executive Officers, only Mr. Watts has a balance in the plan.

Under the plan, after the participant dies, an additional benefit is payable to the surviving spouse for the duration of his or her life in an amount equal to two-thirds of the participant's standard retirement benefit, beginning once the standard retirement benefit payments have ended or upon the participant's death, if later. If Mr. Watts had died at the end of 2014, his surviving spouse would have received monthly benefits of \$477 beginning in December 2029.

AT&T Severance Policy

The AT&T Severance Policy generally limits severance payments for executive officers to 2.99 times salary and bonus. Under the AT&T Severance Policy, the Company will not provide severance benefits to an executive officer that exceed 2.99 times the officer's annual base salary, plus target bonus, unless the excess payment receives prior stockholder approval or is ratified by stockholders at a regularly scheduled annual meeting within the following 15 months.

Potential Payments Upon Change in Control

[Change in Control](#)

An acquisition in our industry can take a year or more to complete, and during that time it is critical that the Company have continuity of its leadership. If we are in the process of being acquired, our officers may have concerns about their employment with the new Company. Our Change in Control

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Severance Plan offers benefits so that our officers may focus on the Company's business without the distraction of searching for new employment. The Change in Control Severance Plan covers our officers, including each of the Named Executive Officers. Amounts under this plan payable to Mr. de la Vega would be offset by any payments Mr. de la Vega would receive under his agreement described on page 56, providing for the payment of benefits upon his termination of employment.

Description of Change in Control Severance Plan

The Change in Control Severance Plan provides an officer who is terminated or otherwise leaves our Company for good reason after a change in control a payment equal to 2.99 times the sum of the executive's most recent salary and target bonus. The Company is not responsible for the payment of excise taxes (or taxes on such payments). In 2014, the Company eliminated health, life insurance and financial counseling benefits from the plan (the CIC Amendments).

Because the CIC Amendments were not effective until January 1, 2015, in the event a change in control and termination of employment had occurred at the end of 2014, each covered officer would also have been provided with certain financial counseling and life and health benefits. Benefits would have included supplemental medical, vision, and dental benefits for three years after the executive's employment ends or until the end of the year he or she turns 65, whichever is earlier. Retirement eligible officers are already eligible for certain of these benefits as part of their post-employment benefits (see Other Post-Retirement Benefits beginning on page 59). The estimated annual incremental costs of these benefits that would have been provided if the Named Executive Officers had left for good reason under the plan at the end of 2014, in excess of any amounts that would have been incurred as post-retirement benefits outside of the applicable plan, are outlined in the table below.

Additional Costs of Potential Benefits Under the Change in Control Severance Plan

| | Health Benefits | Life Insurance | Financial Counseling |
|-------------|------------------------|-----------------------|-----------------------------|
| Name | (\$) | (\$) | (\$) |
| Stephenson | 16,371 | 20,412 | 0 |
| Stephens | 33,175 | 20,486 | 0 |
| de la Vega | 23,091 | 11,344 | 0 |
| Stankey | 33,175 | 13,934 | 0 |
| Watts | 33,175 | 19,626 | 0 |

Note: Effective January 1, 2015 the Company discontinued payment of these benefits in the case of a change in control. However, we are required to disclose the additional costs of potential benefits assuming a change in control date of December 31, 2014.

Good reason means, in general, assignment of duties inconsistent with the executive's title or status; a substantial adverse change in the nature or status of the executive's responsibilities; a reduction in pay; or failure to pay

compensation or continue benefits. For the CEO, we eliminated a provision that defined "good reason" to include a good faith determination by the executive within 90 days of the change in control that he or she is not able to discharge his or her duties effectively.

Under the plan, a change in control occurs if: (a) anyone (other than one of our employee benefit plans) acquires more than 20% of AT&T's common stock, (b) within a two-year period, the Directors at the beginning of the period (together with any new Directors elected or nominated for election by a two-thirds majority of Directors then in office who were Directors at the beginning of the period or whose election or nomination for election was previously so approved) cease to constitute a majority of the Board, (c) upon consummation of a merger where AT&T Inc. is one of the merging entities and where persons other than the AT&T stockholders immediately before the merger hold more than 50% of the voting power of the surviving entity, or (d) upon our stockholders' approval of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

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If a change in control and a subsequent termination of employment of the Named Executive Officers had occurred at the end of 2014 in accordance with the Change in Control Severance Plan, the following estimated severance payments would have been paid in a lump sum:

| Potential Change in Control Severance Payments | |
|---|-----------------------|
| Name | Severance (\$) |
| Stephenson | 20,930,000 |
| Stephens | 7,176,000 |
| de la Vega | 8,028,150 |
| Stankey | 8,132,800 |
| Watts | 6,847,100 |

None of the Named Executive Officers hold stock awards that would be subject to automatic vesting in connection with a change in control.

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Other Information

[Other Information](#)

Section 16(a) Beneficial Ownership Reporting Compliance

AT&T's executive officers and Directors are required under the Securities Exchange Act of 1934 to file reports of transactions and holdings in AT&T common stock with the SEC and the NYSE. Based solely on a review of the filed reports and written representations that no other reports are required, AT&T believes that during the preceding year all executive officers and Directors were in compliance with all filing requirements applicable to such executive officers and Directors.

Availability of Corporate Governance Documents

A copy of AT&T's Annual Report to the SEC on Form 10-K for the year 2014 may be obtained without charge upon written request to AT&T Stockholder Services, 208 S. Akard, Room 2710.14, Dallas, Texas 75202. AT&T's Corporate Governance Guidelines, Code of Ethics, and Committee Charters for the following committees may be viewed online at www.att.com and are also available in print to anyone who requests them (contact the Senior Vice President and Secretary of AT&T at the address below): Audit Committee, Human Resources Committee, Corporate Governance and Nominating Committee, Corporate Development and Finance Committee, Public Policy and Corporate Reputation Committee, and Executive Committee.

Stockholder Proposals and Director Nominees

Stockholder proposals intended to be included in the proxy materials for the 2016 Annual Meeting must be received by November 11, 2015. Such proposals should be sent in writing by courier or certified mail to the Senior Vice President and Secretary of AT&T at 208 S. Akard Street, Suite 3241, Dallas, Texas 75202. ***Stockholder proposals that are sent to any other person or location or by any other means may not be received in a timely manner.***

Stockholders who intend to submit proposals at an Annual Meeting but whose proposals are not included in the proxy materials for the meeting and stockholders who intend to submit nominations for Directors at an Annual Meeting are required to notify the Senior Vice President and Secretary of AT&T (at the address above) of their proposal or nominations and to provide certain other information not less than 90 days, nor more than 120 days, before the anniversary of the prior Annual Meeting of Stockholders, in accordance with AT&T's Bylaws. Special notice provisions apply under the Bylaws if the date of the Annual Meeting is more than 30 days before or 70 days after the anniversary date.

Householding Information

No more than one annual report and Proxy Statement will be sent to multiple stockholders sharing an address unless AT&T has received contrary instructions from one or more of the stockholders at that address. Stockholders may

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request a separate copy of the most recent annual report and/or the Proxy Statement by writing the transfer agent at: Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078, or by calling (800) 351-7221. Stockholders calling from outside the United States may call (781) 575-4729. Requests will be responded to promptly. Stockholders sharing an address who desire to receive multiple copies, or who wish to receive only a single copy, of the annual report and/or the Proxy Statement may write or call the transfer agent at the above address or phone numbers to request a change.

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Other Information

Cost of Proxy Solicitation

The cost of soliciting proxies will be borne by AT&T. Officers, agents and employees of AT&T and its subsidiaries and other solicitors retained by AT&T may, by letter, by telephone or in person, make additional requests for the return of proxies and may receive proxies on behalf of AT&T. Brokers, nominees, fiduciaries and other custodians will be requested to forward soliciting material to the beneficial owners of shares and will be reimbursed for their expenses. AT&T has retained D. F. King & Co., Inc. to aid in the solicitation of proxies at a fee of \$22,000, plus expenses.

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Notes

[Notes](#)

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Admission Ticket

***IMPORTANT ANNUAL MEETING
INFORMATION***

Electronic Voting Instructions

You can vote by Internet or telephone.

Available 24 hours a day, 7 days a week.

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

**VALIDATION DETAILS ARE LOCATED
BELOW IN THE TITLE BAR.**

Vote by Internet

Go to
www.envisionreports.com/att

Or scan the QR code with your
smartphone

Follow the steps outlined on the
secure website

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within
the USA, US territories & Canada on a touch
tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

q To vote by using the proxy card below, fold along the perforation, detach and return the bottom portion in the enclosed envelope. q

A Election of Directors The Board of Directors recommends a vote **FOR** the listed nominees.

| Nominees: | For | Against | Abstain | | For | Against | Abstain | | For | Against | Abstain |
|----------------------------|-----|---------|---------|----------------------------|-----|---------|---------|---------------------------|-----|---------|---------|
| 01 - Randall L. Stephenson | .. | .. | .. | 06 - Michael B. McCalliste | .. | .. | .. | 11 - Cynthia B. Taylor | .. | .. | .. |
| 02 - Scott T. Ford | .. | .. | .. | 07 - John B. McCoy | .. | .. | .. | 12 - Laura D Andrea Tyson | .. | .. | .. |
| 03 - Glenn H. Hutchins | .. | .. | .. | 08 - Beth E. Mooney | .. | .. | .. | | | | |
| 04 - William E. Kennard | .. | .. | .. | 09 - Joyce M. Roché | .. | .. | .. | | | | |
| 05 - Jon C. Madonna | .. | .. | .. | 10 - Matthew K. Rose | .. | .. | .. | | | | |

B Management Proposals The Board of Directors recommends a vote **FOR** Items 2 through 3.

| | For | Against | Abstain | | For | Against | Abstain |
|--|-----|---------|---------|---|-----|---------|---------|
| 2. Ratification of appointment of independent auditors | .. | .. | .. | 3. Advisory approval of executive compensation. | .. | .. | .. |

C Stockholder Proposals The Board of Directors recommends a vote **AGAINST** Items 4 through 6.

| 4. Political | For | Against | Abstain | 5. Lobbying | For | Against | Abstain | 6. Special | For | Against | Abstain |
|--------------|-----|---------|---------|-------------|-----|---------|---------|------------|-----|---------|---------|
| | | | | | | | | | | | |

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AT&T Inc. 2015 Annual Meeting of Stockholders

Admission Ticket

**Upon arrival, please present this
admission ticket and photo ID
at the registration desk.**

Friday, April 24, 2015

Doors open at 8:00 a.m. local time

Meeting begins at 9:00 a.m. local time

DoubleTree by Hilton Hotel

Spokane City Center

Grand Ballroom

322 North Spokane Falls Court

Spokane, WA 99201

Directions:

Complimentary parking is available
as indicated on the map.

The meeting will be held in the Grand
Ballroom.

**q To vote by using the proxy card below, fold along the perforation, detach and return the bottom portion in
the enclosed envelope. q**

This proxy is solicited on behalf of the Board of Directors for the Annual Meeting on April 24, 2015.

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The undersigned hereby appoints Randall L. Stephenson and John J. Stephens, and each of them, proxies, with full
power of substitution, to vote all common shares of the undersigned in AT&T Inc. at the Annual Meeting of

Stockholders to be held on April 24, 2015, and at any adjournment thereof, upon all subjects that may properly come before the meeting, including the matters described in the proxy statement furnished herewith, in accordance with the directions indicated on the reverse side of this card or provided through the telephone or Internet proxy procedures, and at the discretion of the proxies on any other matters that may properly come before the meeting. **If specific voting directions are not given with respect to the matters to be acted upon and the signed card is returned, it will be treated as an instruction to vote such shares in accordance with the Directors' recommendations on the matters listed on the reverse side of this card and at the discretion of the proxies on any other matters that may properly come before the meeting.**

The Board of Directors recommends a vote **FOR** all nominees, **FOR** Items 2-3, and **AGAINST** each of the stockholder proposals (Items 4-6) listed on the reverse side of this card (each of which is described in the proxy statement). The Board of Directors knows of no other matters that are to be presented at the meeting.

Please sign below and return promptly in the enclosed envelope or, if you choose, you can submit your proxy by telephone, through the Internet or mail it to Computershare, PO Box 43115, Providence RI 02940.

This proxy card, when signed and returned, or your telephone or Internet proxy, will also constitute voting instructions to the plan administrator or trustee for shares held on your behalf under any of the following employee benefit plans: the AT&T Savings and Security Plan, the AT&T Puerto Rico Retirement Savings Plan, the AT&T Retirement Savings Plan, and the BellSouth Savings and Security Plan. Shares in the employee benefit plans for which voting instructions are not received will not be voted, subject to the trustee's fiduciary obligations. To allow sufficient time for voting by the trustees and/or administrators of the employee benefit plans, your voting instructions must be received by April 21, 2015.

D Non-Voting Items

Change of Address Please print new address below.

E Authorized Signatures This section must be completed for your instructions to be executed.

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

____/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A E ON BOTH SIDES OF THIS CARD.

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