



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

January 29, 2019

Wayne Wirtz
AT&T Inc.
ww0118@att.com

Re: AT&T Inc.
Incoming letter dated November 15, 2018

Dear Mr. Wirtz:

This letter is in response to your correspondence dated November 15, 2018 concerning the shareholder proposal (the "Proposal") submitted to AT&T Inc. (the "Company") by Third Generation Financial LLC (the "Proponent") for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders. We also have received correspondence from the Proponent dated November 19, 2018. Copies of all of the correspondence on which this response is based will be made available on our website at <http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8.shtml>. For your reference, a brief discussion of the Division's informal procedures regarding shareholder proposals is also available at the same website address.

Sincerely,

M. Hughes Bates
Special Counsel

Enclosure

cc: Nathan Wahl
Third Generation Financial LLC
nathanwahl@tgfinancial.net

January 29, 2019

Response of the Office of Chief Counsel
Division of Corporation Finance

Re: AT&T Inc.
Incoming letter dated November 15, 2018

The Proposal asks the board to amend the compensation of the CEO and CFO to include the Company's long-term issuer debt rating from S&P Global and Moody's, in an advisory manner, as an incentive metric weighting.

There appears to be some basis for your view that the Company may exclude the Proposal under rule 14a-8(i)(7), as relating to the Company's ordinary business operations. In this regard, we note that, although the Proposal relates to executive compensation, the focus of the Proposal is on the ordinary business matter of management of existing debt. Accordingly, we will not recommend enforcement action to the Commission if the Company omits the Proposal from its proxy materials in reliance on rule 14a-8(i)(7).

Sincerely,

Kasey L. Robinson
Special Counsel

DIVISION OF CORPORATION FINANCE INFORMAL PROCEDURES REGARDING SHAREHOLDER PROPOSALS

The Division of Corporation Finance believes that its responsibility with respect to matters arising under Rule 14a-8 [17 CFR 240.14a-8], as with other matters under the proxy rules, is to aid those who must comply with the rule by offering informal advice and suggestions and to determine, initially, whether or not it may be appropriate in a particular matter to recommend enforcement action to the Commission. In connection with a shareholder proposal under Rule 14a-8, the Division's staff considers the information furnished to it by the company in support of its intention to exclude the proposal from the company's proxy materials, as well as any information furnished by the proponent or the proponent's representative.

Although Rule 14a-8(k) does not require any communications from shareholders to the Commission's staff, the staff will always consider information concerning alleged violations of the statutes and rules administered by the Commission, including arguments as to whether or not activities proposed to be taken would violate the statute or rule involved. The receipt by the staff of such information, however, should not be construed as changing the staff's informal procedures and proxy review into a formal or adversarial procedure.

It is important to note that the staff's no-action responses to Rule 14a-8(j) submissions reflect only informal views. The determinations reached in these no-action letters do not and cannot adjudicate the merits of a company's position with respect to the proposal. Only a court such as a U.S. District Court can decide whether a company is obligated to include shareholder proposals in its proxy materials. Accordingly, a discretionary determination not to recommend or take Commission enforcement action does not preclude a proponent, or any shareholder of a company, from pursuing any rights he or she may have against the company in court, should the company's management omit the proposal from the company's proxy materials.

THIRD GENERATION FINANCIAL LLC

65 Woodland Lane
Round Rock, Texas 78664
(512) 388-2900
(512) 388-2901 Fax

November 19, 2018

By email to shareholderproposals@sec.gov

US Securities and Exchange Commission
Division of Corporate Finance
Office of Chief Counsel
100 F Street N.E.
Washington, DC 20549

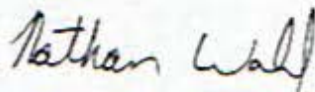
Re: AT&T Inc. – Shareholder Proposal Submitted by Third
Generation Financial LLC

To Whom It May Concern:

AT&T Inc, a Delaware Corporation ("AT&T") argument to exclude the shareholder proposal (the "Proposal") submitted by Third Generation Financial LLC from AT&T's proxy material for its 2019 Annual Meeting of Shareholders are without merit. The Proposal in no way limits ordinary business operations. The implementation of the Proposal is entirely left to the discretion of AT&T's Board of Directors (the "Board"). Furthermore, because the Proposal is a non-binding advisory vote the Board may choose to do nothing.

If after reading this letter you should have any questions, please feel free to contact us at nathanwahl@tgfinancial.net.

Sincerely,



Nathan Wahl



Wayne Wirtz
Vice President and
Associate General Counsel

AT&T Inc.
One AT&T Plaza
208 S. Akard Street
Dallas, TX 75202

T: 214.757.3344
F: 214.486.8180
wwirtz@att.com

November 15, 2018

By email to shareholderproposals@sec.gov

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street N.E.
Washington, DC 20549

Re: AT&T Inc. – Shareholder Proposal Submitted by Third Generation Financial LLC

Ladies and Gentlemen:

Pursuant to Exchange Act Rule 14a-8(j), AT&T Inc., a Delaware corporation (“AT&T” or the “Company”), hereby notifies the Division of Corporation Finance (the “Staff”) of the Securities and Exchange Commission (the “Commission”) of AT&T’s intention to exclude a shareholder proposal (the “Proposal”) submitted by Third Generation Financial LLC (the “Proponent”) from AT&T’s proxy materials for its 2019 Annual Meeting of Shareholders (the “2019 Proxy Materials”), for the reasons stated below.

This letter, together with the Proposal and the related correspondence, are being submitted to the Staff via e-mail in lieu of mailing paper copies. A copy of this letter and the attachments are being sent on this date to the Proponent. We respectfully remind the Proponent that if it elects to submit additional correspondence to the Commission or the Staff with respect to the Proposal, a copy of that correspondence should be furnished concurrently to the undersigned pursuant to Rule 14a-8(k).

THE PROPOSAL

The Proposal sets forth the following resolution and supporting statement to be included in the 2019 Proxy Materials:

Shareholders of AT&T Inc. (the “company”) ask the board of directors (the “board”) to amend the compensation of the CEO and CFO to include the company’s long-term issuer debt rating from S&P Global and Moody’s, in an advisory manner, as an incentive metric weighting.

As of the writing of this proposal, the company long-term issuer rating is as follows:

Rating Agency	Long-Term Issuer Rating	Outlook
Moody's	Baa 1	Review for downgrade
S&P Global	BBB+	Credit watch negative

Moody's Baa definition: Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics.

S&P Global BBB definition: An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakening capacity of the obligor to meet its financial commitments on the obligation.

Supporting Statement

As of 2017, the company had \$164,346 million in long and short-term debt on its balance sheet. To put that into perspective, that is more than the country of Finland. It's more than Hungary. It's more than Cyprus and Denmark combined.

<https://countrveconomv.com/national-debt>

Over the past several years the debt growth rate has far surpassed the revenue growth rate.

Dollars in millions	2013	2017	Growth Rate
Total Debt	\$74,589	\$164,346	120%
Operating Revenue	\$128,752	\$160,546	25%

Now turning to the statement of cash flows.

In 2017, the company generated \$39,151 million in net cash from operating activities, which leaves \$18,504 million in free cash flow (\$39,151-\$20,647 capital expenditures).

Free Cash Flow	\$18,504
Dividends Paid	\$12,038
Repayment of long-term debt	minus \$12,339
	-\$5,873 cash shortfall

When taking into consideration operating leases, a rising level of interest expenses, and the under funded pension (-\$13,831) and postretirement benefits (-\$18,086), the picture gets even bleaker.

The company's debt rating has real consequences in the level of interest paid, stock price performance and dividend sustainability via investors appetite to continually fund the company. The ratings mentioned above are publically known, making it easy for the compensation committee to include it as an incentive weighting metric. Plus, each rating agency provides criteria of what the company would need to do to improve its rating.

As an advisory vote, the results of this vote will not be binding on the board or the company. However, the board will consider the outcome of the vote when making future compensation decisions, policies and procedures.”

A copy of the Proposal and related correspondence with the Proponent is attached to this letter as Exhibit A.

ARGUMENT

I. The Proposal May Be Excluded Pursuant to 14a-8(i)(7) Because the Proposal Deals with Matters Relating to the Company’s Ordinary Business Operations.

A. Background

Under Rule 14a-8(i)(7), a shareholder proposal may be excluded from a company’s proxy materials if the proposal “deals with matters relating to the company’s ordinary business operations.” The purpose of the ordinary business exclusion is “to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting.”¹ As explained by the Commission, the term “ordinary business” in this context refers to “matters that are not necessarily ‘ordinary’ in the common meaning of the word, and is rooted in the corporate law concept providing management with flexibility in directing certain core matters involving the company’s business and operations.”²

The ordinary business exclusion is based on two central considerations. First, the Commission notes that “[c]ertain tasks are so fundamental to management’s ability to run a company on a day-to-day basis” that they are not proper subjects for shareholder proposals.³ The second consideration “relates to the degree to which the proposal seeks to ‘micro-manage’ the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.”⁴

The 1998 Release further distinguishes proposals pertaining to ordinary business matters from those involving “significant social policy issues,” the latter of which are not excludable under Rule 14a-8(i)(7) because they “transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote.”⁵ In this regard, when

¹ See Release No. 34-40018 (May 21, 1998) (the “1998 Release”).

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.*

assessing proposals under Rule 14a-8(i)(7), the Staff considers the terms of the resolution and its supporting statement as a whole.⁶

B. Analysis

Although the resolution is framed as a request to include the Company's credit rating as a performance metric for the CEO's and CFO's incentive compensation, the Proposal as a whole has nothing to do with executive compensation. The Proposal focuses only on the Company's amount of indebtedness and its credit ratings by Moody's and S&P. It implicitly criticizes the Company's level of indebtedness when it notes that:

- "As of 2017, the company had \$164,346 million in long and short-term debt on its balance sheet. To put that into perspective, that is more than the country of Finland. It's more than Cyprus and Denmark combined."
- "Over the past several years the debt growth rate has far surpassed the revenue growth rate."
- "When taking into consideration operating leases, a rising level of interest expenses, and the under funded pension (-\$13,831) and postretirement benefits (-\$18,086), the picture gets even bleaker."

As a result, the Proposal is effectively a shareholder referendum on management's decisions on managing the Company's debt levels and cash resources. The underlying concern of the Proposal is not senior executive compensation.

Managing cash, determining whether and when to borrow money and in what manner, and optimizing leverage: these decisions and their competitive and financial implications are exactly the types of day-to-day operational considerations that Rule 14a-8(i)(7) recognizes as a proper function for management, who have the requisite knowledge and resources to appropriately analyze and weigh the complex considerations that underlie these decisions. The availability and appropriate uses of a company's funds are determined on a daily basis by management, which can call on a constant flow of relevant information that is crucial to informed decision making but unavailable to shareholders.

The Staff has consistently determined that shareholder proposals relating to whether and when a company should incur and repay debt are ordinary course business decisions. For example, in *Vishay Intertechnology, Inc.* (Mar. 28, 2008), a proponent requested that the company's board sell off certain subsidiary shares and use the proceeds of the sale to pay off specified debt. The Staff permitted the company to exclude the proposal under Rule 14a-8(i)(7) as it dealt with the company's "ordinary business operations (i.e., management of existing debt)." In *Stewart Enterprises, Inc.* (Jan. 2, 2001), a proponent asked that shareholders vote to liquidate all cash investments and use the proceeds to reduce the company's debt. The Staff

⁶ See Staff Legal Bulletin No. 14C ("SLB 14C"), part D.2 (June 28, 2005) ("In determining whether the focus of these proposals is a significant social policy issue, we consider both the proposal and the supporting statement as a whole.")

permitted exclusion of this proposal under Rule 14a-8(i)(7) noting that "the manner in which the company will satisfy existing debt" is an ordinary business decision. The Staff's position is unchanged from *R.J. Reynolds Industries* (Nov. 24, 1975), where the Staff granted no-action relief with respect to a proposal that advocated that the board of directors reduce the total debt to 10% or less of total assets because, as stated by the Staff, "[the proposal] deals with the company's finances (specifically the management of its debt), a matter that necessarily involves the ordinary operations of the company."

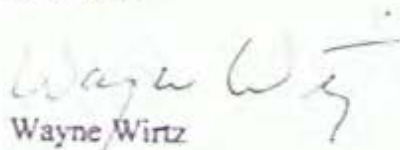
While the Proposal is framed as an executive compensation proposal, that is merely window dressing. Any topic can be proposed to be the subject of a performance measure for purposes of incentive compensation. Reading the resolution and the supporting statement as a whole, it is clear that the focus and underlying concern of the Proposal is about only one thing – the Company's indebtedness – and that the purpose of the Proposal is to put pressure on the Company to pay down its debt, which is a well-established ordinary course business decision. As stated in SLB No. 14J (Oct 23, 2018), "[T]he staff examines whether the focus of a proposal is an ordinary business matter or aspects of senior executive and/or director compensation. Where the focus appears to be on the ordinary business matter, the proposal may be excludable under Rule 14a-8(i)(7). In *Delta Air Lines, Inc.* (Mar. 27, 2012), the Staff concurred in the omission of a proposal that prohibited payments under executive incentive plans unless a process was adopted to fund retirement accounts for pilots. The Staff noted, "although the proposal mentions executive compensation, the thrust and focus of the proposal is on the ordinary business matter of employee benefits." This is no different from the Proposal's use of executive compensation to seek changes in the Company's debt structure.

CONCLUSION

Based upon the foregoing analysis, we respectfully request that the Staff concur that Proposal may be properly omitted from Company's 2019 Proxy Materials on the basis of Rule 14a-8(i)(7).

We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject. Correspondence regarding this letter should be sent to me at ww0118@att.com. If I can be of any further assistance in this matter, please do not hesitate to contact me at (214) 757-3344.

Sincerely,


Wayne Wirtz

Attachments

cc: Nathan Wahl (nathanwahl@tgfinancial.net)

EXHIBIT A

THIRD GENERATION FINANCIAL LLC

65 Woodland Lane
Round Rock, Texas 78664
(512) 388-2900
(512) 388-2901 Fax

RECEIVED

JUN 15 2018

CORPORATE
SECRETARY'S OFFICE

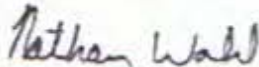
June 11, 2018

Dear AT&T Board of Directors:

On behalf of Third Generation Financial, I submit the enclosed shareholder proposal to be included in the 2019 proxy. Third Generation Financial is a shareholder in excess of 15,000 shares since 2016. Our proposal addresses the main cause for our pause in purchasing additional shares.

In after reviewing this letter should you have any questions, please feel free to contact me.

Best regards,



Nathan Wahl
Treasurer - Third Generation Financial
nathanwahl@tgfinancial.net

THIRD GENERATION FINANCIAL LLC

65 Woodland Lane
Round Rock, Texas 78664
(512) 388-2900
(512) 388-2901 Fax

Shareholders of AT&T Inc. (the "company") ask the board of directors (the "board") to amend the compensation of the CEO and CFO to include the company's long-term issuer debt rating from S&P Global and Moody's, in an advisory manner, as an incentive metric weighting.

As of the writing of this proposal, the company long-term issuer rating is as follows:

Rating Agency	Long-Term Issuer Rating	Outlook
Moody's	Baa1	Review for downgrade
S&P Global	BBB+	Credit watch negative

Moody's Baa definition: Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics.

S&P Global BBB definition: An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakening capacity of the obligor to meet its financial commitments on the obligation.

Supporting Statement

As of 2017, the company had \$164,346 million in long and short-term debt on its balance sheet. To put that into perspective, that is more than the country of Finland. It's more than Hungary. It's more than Cyprus and Denmark combined.

<https://countryeconomy.com/national-debt>

Over the past several years the debt growth rate has far surpassed the revenue growth rate.

Dollars in millions	2013	2017	Growth Rate
Total Debt	\$74,589	\$164,346	120%
Operating Revenue	\$128,752	\$160,546	25%

Now turning to the statement of cash flows.

In 2017, the company generated \$39,151 million in net cash from operating activities, which leaves \$18,504 million in free cash flow (\$39,151-\$20,647 capital expenditures).

THIRD GENERATION FINANCIAL LLC

65 Woodland Lane
Round Rock, Texas 78664
(512) 388-2900
(512) 388-2901 Fax

Free Cash Flow	\$18,504
Dividends Paid	\$12,038
Repayment of long-term debt	minus <u>\$12,339</u>
	- \$5,873 cash shortfall

When taking into consideration operating leases, a rising level of interest expenses, and the under funded pension (-\$13,831) and postretirement benefits (-\$18,086), the picture gets even bleaker.

The company's debt rating has real consequences in the level of interest paid, stock price performance and dividend sustainability via investors appetite to continually fund the company. The ratings mentioned above are publically known, making it easy for the compensation committee to include it as an incentive weighting metric. Plus, each rating agency provides criteria of what the company would need to do to improve its rating.

As an advisory vote, the results of this vote will not be binding on the board or the company. However, the board will consider the outcome of the vote when making future compensation decisions, policies and procedures.



Wayne Wirtz
Vice President and
Associate General Counsel

AT&T Inc.
One AT&T Plaza
208 S. Akard Street
Dallas, TX 75202

T: 214.757.3344
F: 214.486.8180
wayne.wirtz@att.com

November 15, 2018

By email to shareholderproposals@sec.gov

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street N.E.
Washington, DC 20549

Re: AT&T Inc. – Shareholder Proposal Submitted by Third Generation Financial LLC

Ladies and Gentlemen:

Pursuant to Exchange Act Rule 14a-8(j), AT&T Inc., a Delaware corporation (“AT&T” or the “Company”), hereby notifies the Division of Corporation Finance (the “Staff”) of the Securities and Exchange Commission (the “Commission”) of AT&T’s intention to exclude a shareholder proposal (the “Proposal”) submitted by Third Generation Financial LLC (the “Proponent”) from AT&T’s proxy materials for its 2019 Annual Meeting of Shareholders (the “2019 Proxy Materials”), for the reasons stated below.

This letter, together with the Proposal and the related correspondence, are being submitted to the Staff via e-mail in lieu of mailing paper copies. A copy of this letter and the attachments are being sent on this date to the Proponent. We respectfully remind the Proponent that if it elects to submit additional correspondence to the Commission or the Staff with respect to the Proposal, a copy of that correspondence should be furnished concurrently to the undersigned pursuant to Rule 14a-8(k).

THE PROPOSAL

The Proposal sets forth the following resolution and supporting statement to be included in the 2019 Proxy Materials:

Shareholders of AT&T Inc. (the “company”) ask the board of directors (the “board”) to amend the compensation of the CEO and CFO to include the company’s long-term issuer debt rating from S&P Global and Moody’s, in an advisory manner, as an incentive metric weighting.

As of the writing of this proposal, the company long-term issuer rating is as follows:

Rating Agency	Long-Term Issuer Rating	Outlook
Moody's	Baa 1	Review for downgrade
S&P Global	BBB+	Credit watch negative

Moody's Baa definition: Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics.

S&P Global BBB definition: An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakening capacity of the obligor to meet its financial commitments on the obligation.

Supporting Statement

As of 2017, the company had \$164,346 million in long and short-term debt on its balance sheet. To put that into perspective, that is more than the country of Finland. It's more than Hungary. It's more than Cyprus and Denmark combined.

<https://countryeconomy.com/national-debt>

Over the past several years the debt growth rate has far surpassed the revenue growth rate.

Dollars in millions	2013	2017	Growth Rate
Total Debt	\$74,589	\$164,346	120%
Operating Revenue	\$128,752	\$160,546	25%

Now turning to the statement of cash flows.

In 2017, the company generated \$39,151 million in net cash from operating activities, which leaves \$18,504 million in free cash flow (\$39,151-\$20,647 capital expenditures).

Free Cash Flow	\$18,504
Dividends Paid	\$12,038
Repayment of long-term debt	minus <u>\$12,339</u>
	-\$5,873 cash shortfall

When taking into consideration operating leases, a rising level of interest expenses, and the under funded pension (-\$13,831) and postretirement benefits (-\$18,086), the picture gets even bleaker.

The company's debt rating has real consequences in the level of interest paid, stock price performance and dividend sustainability via investors appetite to continually fund the company. The ratings mentioned above are publically known, making it easy for the compensation committee to include it as an incentive weighting metric. Plus, each rating agency provides criteria of what the company would need to do to improve its rating.

As an advisory vote, the results of this vote will not be binding on the board or the company. However, the board will consider the outcome of the vote when making future compensation decisions, policies and procedures.”

A copy of the Proposal and related correspondence with the Proponent is attached to this letter as Exhibit A.

ARGUMENT

I. The Proposal May Be Excluded Pursuant to 14a-8(i)(7) Because the Proposal Deals with Matters Relating to the Company’s Ordinary Business Operations.

A. Background

Under Rule 14a-8(i)(7), a shareholder proposal may be excluded from a company’s proxy materials if the proposal “deals with matters relating to the company’s ordinary business operations.” The purpose of the ordinary business exclusion is “to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting.”¹ As explained by the Commission, the term “ordinary business” in this context refers to “matters that are not necessarily ‘ordinary’ in the common meaning of the word, and is rooted in the corporate law concept providing management with flexibility in directing certain core matters involving the company’s business and operations.”²

The ordinary business exclusion is based on two central considerations. First, the Commission notes that “[c]ertain tasks are so fundamental to management’s ability to run a company on a day-to-day basis” that they are not proper subjects for shareholder proposals.³ The second consideration “relates to the degree to which the proposal seeks to ‘micro-manage’ the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.”⁴

The 1998 Release further distinguishes proposals pertaining to ordinary business matters from those involving “significant social policy issues,” the latter of which are not excludable under Rule 14a-8(i)(7) because they “transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote.”⁵ In this regard, when

¹ See Release No. 34-40018 (May 21, 1998) (the “1998 Release”).

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.*

assessing proposals under Rule 14a-8(i)(7), the Staff considers the terms of the resolution and its supporting statement as a whole.⁶

B. Analysis

Although the resolution is framed as a request to include the Company's credit rating as a performance metric for the CEO's and CFO's incentive compensation, the Proposal as a whole has nothing to do with executive compensation. The Proposal focuses only on the Company's amount of indebtedness and its credit ratings by Moody's and S&P. It implicitly criticizes the Company's level of indebtedness when it notes that:

- "As of 2017, the company had \$164,346 million in long and short-term debt on its balance sheet. To put that into perspective, that is more than the country of Finland. It's more than Cyprus and Denmark combined."
- "Over the past several years the debt growth rate has far surpassed the revenue growth rate."
- "When taking into consideration operating leases, a rising level of interest expenses, and the under funded pension (-\$13,831) and postretirement benefits (-\$18,086), the picture gets even bleaker."

As a result, the Proposal is effectively a shareholder referendum on management's decisions on managing the Company's debt levels and cash resources. The underlying concern of the Proposal is not senior executive compensation.

Managing cash, determining whether and when to borrow money and in what manner, and optimizing leverage: these decisions and their competitive and financial implications are exactly the types of day-to-day operational considerations that Rule 14a-8(i)(7) recognizes as a proper function for management, who have the requisite knowledge and resources to appropriately analyze and weigh the complex considerations that underlie these decisions. The availability and appropriate uses of a company's funds are determined on a daily basis by management, which can call on a constant flow of relevant information that is crucial to informed decision making but unavailable to shareholders.

The Staff has consistently determined that shareholder proposals relating to whether and when a company should incur and repay debt are ordinary course business decisions. For example, in *Vishay Intertechnology, Inc.* (Mar. 28, 2008), a proponent requested that the company's board sell off certain subsidiary shares and use the proceeds of the sale to pay off specified debt. The Staff permitted the company to exclude the proposal under Rule 14a-8(i)(7) as it dealt with the company's "ordinary business operations (i.e., management of existing debt)." In *Stewart Enterprises, Inc.* (Jan. 2, 2001), a proponent asked that shareholders vote to liquidate all cash investments and use the proceeds to reduce the company's debt. The Staff

⁶ See Staff Legal Bulletin No. 14C ("SLB 14C"), part D.2 (June 28, 2005) ("In determining whether the focus of these proposals is a significant social policy issue, we consider both the proposal and the supporting statement as a whole.")

permitted exclusion of this proposal under Rule 14a-8(i)(7) noting that “the manner in which the company will satisfy existing debt” is an ordinary business decision. The Staff’s position is unchanged from *R.J. Reynolds Industries* (Nov. 24, 1975), where the Staff granted no-action relief with respect to a proposal that advocated that the board of directors reduce the total debt to 10% or less of total assets because, as stated by the Staff, “[the proposal] deals with the company’s finances (specifically the management of its debt), a matter that necessarily involves the ordinary operations of the company.”

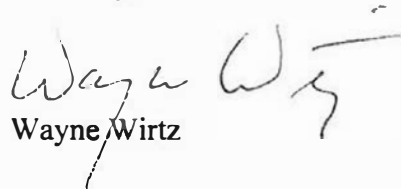
While the Proposal is framed as an executive compensation proposal, that is merely window dressing. Any topic can be proposed to be the subject of a performance measure for purposes of incentive compensation. Reading the resolution and the supporting statement as a whole, it is clear that the focus and underlying concern of the Proposal is about only one thing – the Company’s indebtedness – and that the purpose of the Proposal is to put pressure on the Company to pay down its debt, which is a well-established ordinary course business decision. As stated in SLB No. 14J (Oct 23, 2018), “[T]he staff examines whether the focus of a proposal is an ordinary business matter or aspects of senior executive and/or director compensation. Where the focus appears to be on the ordinary business matter, the proposal may be excludable under Rule 14a-8(i)(7). In *Delta Air Lines, Inc.* (Mar. 27, 2012), the Staff concurred in the omission of a proposal that prohibited payments under executive incentive plans unless a process was adopted to fund retirement accounts for pilots. The Staff noted, “although the proposal mentions executive compensation, the thrust and focus of the proposal is on the ordinary business matter of employee benefits.” This is no different from the Proposal’s use of executive compensation to seek changes in the Company’s debt structure.

CONCLUSION

Based upon the foregoing analysis, we respectfully request that the Staff concur that Proposal may be properly omitted from Company’s 2019 Proxy Materials on the basis of Rule 14a-8(i)(7).

We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject. Correspondence regarding this letter should be sent to me at ww0118@att.com. If I can be of any further assistance in this matter, please do not hesitate to contact me at (214) 757-3344.

Sincerely,


Wayne Wirtz

Attachments

cc: Nathan Wahl (nathanwahl@tgfinancial.net)

EXHIBIT A

THIRD GENERATION FINANCIAL LLC

65 Woodland Lane
Round Rock, Texas 78664
(512) 388-2900
(512) 388-2901 Fax

RECEIVED

JUN 15 2018

CORPORATE
SECRETARY'S OFFICE

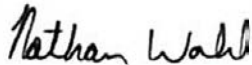
June 11, 2018

Dear AT&T Board of Directors:

On behalf of Third Generation Financial, I submit the enclosed shareholder proposal to be included in the 2019 proxy. Third Generation Financial is a shareholder in excess of 15,000 shares since 2016. Our proposal addresses the main cause for our pause in purchasing additional shares.

In after reviewing this letter should you have any questions, please feel free to contact me.

Best regards,



Nathan Wahl
Treasurer - Third Generation Financial
nathanwahl@tgfinancial.net

THIRD GENERATION FINANCIAL LLC

65 Woodland Lane
Round Rock, Texas 78664
(512) 388-2900
(512) 388-2901 Fax

Shareholders of AT&T Inc. (the "company") ask the board of directors (the "board") to amend the compensation of the CEO and CFO to include the company's long-term issuer debt rating from S&P Global and Moody's, in an advisory manner, as an incentive metric weighting.

As of the writing of this proposal, the company long-term issuer rating is as follows:

Rating Agency	Long-Term Issuer Rating	Outlook
Moody's	Baa1	Review for downgrade
S&P Global	BBB+	Credit watch negative

Moody's Baa definition: Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics.

S&P Global BBB definition: An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakening capacity of the obligor to meet its financial commitments on the obligation.

Supporting Statement

As of 2017, the company had \$164,346 million in long and short-term debt on its balance sheet. To put that into perspective, that is more than the country of Finland. It's more than Hungary. It's more than Cyprus and Denmark combined.

<https://countryeconomy.com/national-debt>

Over the past several years the debt growth rate has far surpassed the revenue growth rate.

Dollars in millions	2013	2017	Growth Rate
Total Debt	\$74,589	\$164,346	120%
Operating Revenue	\$128,752	\$160,546	25%

Now turning to the statement of cash flows.

In 2017, the company generated \$39,151 million in net cash from operating activities, which leaves \$18,504 million in free cash flow (\$39,151-\$20,647 capital expenditures).

THIRD GENERATION FINANCIAL LLC

65 Woodland Lane
Round Rock, Texas 78664
(512) 388-2900
(512) 388-2901 Fax

Free Cash Flow	\$18,504
Dividends Paid	\$12,038
Repayment of long-term debt	minus <u>\$12,339</u>
	-\$5,873 cash shortfall

When taking into consideration operating leases, a rising level of interest expenses, and the under funded pension (-\$13,831) and postretirement benefits (-\$18,086), the picture gets even bleaker.

The company's debt rating has real consequences in the level of interest paid, stock price performance and dividend sustainability via investors appetite to continually fund the company. The ratings mentioned above are publically known, making it easy for the compensation committee to include it as an incentive weighting metric. Plus, each rating agency provides criteria of what the company would need to do to improve its rating.

As an advisory vote, the results of this vote will not be binding on the board or the company. However, the board will consider the outcome of the vote when making future compensation decisions, policies and procedures.