# FORM 8-K/A

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## FILER

**AT&T CORP**

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 8-K/A#1

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: October 26, 1994

AT&T Corp.

| | | |
|---|---|---|
| A New York Corporation | Commission File No. 1-1105 | I.R.S. Employer No. 13-4924710 |

32 Avenue of the Americas, New York, New York 10013-2412

Telephone Number (212) 387-5400



Item 5. Other Events

On September 19, 1994, Ridge Merger Corporation, a wholly owned subsidiary of AT&T Corp. ("AT&T" or the "Company") was merged (the "Merger") into McCaw Cellular Communications, Inc. ("McCaw"). As a result of the Merger, McCaw has become a wholly owned subsidiary of AT&T. The Merger was accounted for as a pooling of interests and the merged business is significant under Rule 11-01(b) of Regulation S-X. Accordingly, AT&T is filing restated consolidated financial statements as required by Item 11(b)(iii) of Form S-3.

AT&T has the following effective registration statements on Form S-3 for continuous offerings under Rule 415 of the Securities Act of 1933, as amended:

(1) Shareowner Dividend Reinvestment and Stock Purchase Plan (R.S. Nos. 33-

56249 and 33-49093); and

(2) $2,600,000,000 Notes and Warrants to purchase Notes (R.S. No. 33-49589)





REPORT OF INDEPENDENT AUDITORS

To the Shareowners of AT&T Corp.:

We have audited the consolidated financial statements and the consolidated financial statement schedules of AT&T Corp. (AT&T) and subsidiaries listed in the index on page 2 of this Form 8-K/A. These financial statements and financial statement schedules are the responsibility of AT&T's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AT&T and subsidiaries at December 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for the years ended December 31, 1993, 1992 and 1991, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Note 2 to the financial statements, in 1993 AT&T changed its methods of accounting for postretirement benefits, postemployment benefits and income taxes.

COOPERS & LYBRAND L.L.P.

1301 Avenue of the Americas
New York, New York
January 27, 1994 (September
19, 1994 as to Notes 4, 21
and 22)



CONSOLIDATED STATEMENTS OF INCOME

AT&T CORP. (AT&T) AND SUBSIDIARIES

| Dollars in millions (except per share amounts) | 1993 | 1992 | 1991 |
|---|---|---|---|
| | Years ended December 31 | | |
| SALES AND REVENUES | | | |
| Telecommunications services | $41,623 | $40,968 | $39,860 |
| Products and systems | 17,925 | 16,579 | 16,031 |
| Rentals and other services | 7,299 | 7,206 | 7,180 |
| Financial services and leasing | 2,504 | 1,894 | 1,384 |
| TOTAL REVENUES | 69,351 | 66,647 | 64,455 |
| COSTS | | | |
| Telecommunications services | | | |
| Access and other interconnection costs | 17,772 | 18,186 | 18,439 |
| Other costs | 7,623 | 7,553 | 7,242 |
| Total telecommunications services | 25,395 | 25,739 | 25,681 |
| Products and systems | 10,953 | 9,972 | 9,237 |
| Rentals and other services | 3,473 | 3,373 | 3,444 |
| Financial services and leasing | 1,711 | 1,310 | 1,072 |
| TOTAL COSTS | 41,532 | 40,394 | 39,434 |
| GROSS MARGIN | 27,819 | 26,253 | 25,021 |
| OPERATING EXPENSES | | | |
| Selling, general and administrative expenses | 17,665 | 16,642 | 16,765 |
| Research and development expenses | 3,088 | 2,919 | 3,114 |
| Provisions for business restructuring | 498 | 64 | 3,572 |
| TOTAL OPERATING EXPENSES | 21,251 | 19,625 | 23,451 |
| OPERATING INCOME | 6,568 | 6,628 | 1,570 |
| Other income-net | 476 | 163 | 273 |
| Gain (loss) on sale of stock by subsidiaries | (9) | - | 43 |
| Interest expense | 1,032 | 1,153 | 1,305 |
| INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECTS OF ACCOUNTING CHANGES | 6,003 | 5,638 | 581 |
| Provision for income taxes | 2,301 | 2,196 | 410 |
| Income before cumulative effects of accounting changes | 3,702 | 3,442 | 171 |
| Cumulative effects on prior years of changes in accounting for: | | | |
| Postretirement benefits (net of income tax benefit of $4,294) | (7,023) | - | - |
| Postemployment benefits (net of income tax benefit of $681) | (1,128) | - | - |
| Income taxes | (1,457) | - | - |
| Cumulative effects of accounting changes | (9,608) | - | - |
| NET INCOME (LOSS) | $(5,906) | $ 3,442 | $ 171 |
| Weighted average common shares outstanding (millions) | 1,547 | 1,519 | 1,479 |
| PER COMMON SHARE: | | | |
| Income before cumulative effects of accounting changes | $ 2.39 | $ 2.27 | $ .12 |
| Cumulative effects of accounting changes | (6.21) | - | - |
| NET INCOME (LOSS) | $(3.82) | $ 2.27 | $ .12 |

The notes on pages 7 through 29 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

AT&T CORP. (AT&T) AND SUBSIDIARIES
at December 31

| Dollars in millions (except per share amount) | 1993 | 1992 |
|---|---|---|
| ASSETS | | |
| Cash and temporary cash investments | $ 671 | $ 1,512 |
| Receivables, less allowances of $1,040 and $861 | | |
| Accounts receivable | 12,294 | 11,306 |
| Finance receivables | 11,370 | 8,569 |
| Inventories | 3,222 | 2,674 |
| Deferred income taxes | 2,079 | 2,118 |
| Other current assets | 732 | 1,007 |
| TOTAL CURRENT ASSETS | 30,368 | 27,186 |
| Property, plant and equipment-net | 21,015 | 20,798 |
| Licensing costs-net | 3,995 | 3,992 |
| Investments | 3,060 | 2,730 |
| Finance receivables | 3,815 | 3,643 |
| Prepaid pension costs | 3,575 | 3,480 |
| Other assets | 3,565 | 4,275 |
| TOTAL ASSETS | $69,393 | $66,104 |
| LIABILITIES AND DEFERRED CREDITS | | |
| Accounts payable | $ 4,853 | $ 5,169 |
| Payroll and benefit-related liabilities | 3,802 | 3,374 |
| Postretirement and postemployment benefit liabilities | 1,301 | - |
| Debt maturing within one year | 11,063 | 7,691 |
| Dividends payable | 448 | 443 |
| Other current liabilities | 4,587 | 5,309 |
| TOTAL CURRENT LIABILITIES | 26,054 | 21,986 |
| Long-term debt including capital leases | 11,802 | 14,166 |
| Postretirement and postemployment benefit liabilities | 9,083 | - |
| Other liabilities | 4,363 | 2,718 |
| Deferred income taxes | 2,231 | 4,699 |
| Unamortized investment tax credits | 270 | 350 |
| Other deferred credits | 263 | 181 |
| TOTAL LIABILITIES AND DEFERRED CREDITS | 54,066 | 44,100 |
| MINORITY INTERESTS | 1,953 | 1,691 |
| SHAREOWNERS' EQUITY | | |
| Common shares par value $1 per share | 1,547 | 1,526 |
| Authorized shares: 2,000,000,000 | | |
| Outstanding shares: 1,546,518,000 at December 31, 1993; 1,525,957,000 at December 31, 1992 | | |
| Additional paid-in capital | 14,324 | 13,485 |
| Guaranteed ESOP obligation | (355) | (407) |
| Foreign currency translation adjustments | (32) | 65 |
| Retained earnings (deficit) | (2,110) | 5,644 |
| TOTAL SHAREOWNERS' EQUITY | 13,374 | 20,313 |
| TOTAL LIABILITIES AND SHAREOWNERS' EQUITY | $69,393 | $66,104 |

The notes on pages 7 through 29 are an integral part of the consolidated financial statements.





CONSOLIDATED STATEMENTS OF CASH FLOWS

AT&T CORP. (AT&T) AND SUBSIDIARIES
Years ended December 31

| Dollars in millions | 1993 | 1992 | 1991 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Net income (loss) | $(5,906) | $ 3,442 | $ 171 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Cumulative effects of accounting changes | 9,608 | - | - |
| Depreciation and licensing cost amortization | 4,082 | 3,825 | 3,817 |
| Provision for uncollectibles | 1,665 | 1,983 | 1,259 |
| Provisions for business restructuring | 498 | 64 | 3,572 |
| (Increase) in accounts receivable | (2,211) | (1,577) | (2,135) |

| | | | |
|---|---|---|---|
| (Increase) decrease in inventories | (560) | 549 | (59) |
| (Decrease) increase in accounts payable | (295) | 46 | 135 |
| Net decrease (increase) in other operating assets and liabilities | 125 | (908) | (1,109) |
| Other adjustments for non-cash items-net | 418 | 612 | 459 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 7,424 | 8,036 | 6,110 |
| INVESTING ACTIVITIES | | | |
| Capital expenditures net of proceeds from sale or disposal of property, plant and equipment of $241, $250 and $119 | (4,296) | (4,328) | (4,376) |
| Increase in finance receivables, net of lease-related repayments of $3,633, $4,325 and $3,521 | (3,483) | (3,878) | (3,052) |
| Net (increase) decrease in investments | (453) | 33 | 514 |
| Acquisitions, net of cash acquired | (228) | (308) | 332 |
| Other investing activities-net | (205) | (125) | (138) |
| NET CASH USED IN INVESTING ACTIVITIES | (8,665) | (8,606) | (6,720) |
| FINANCING ACTIVITIES | | | |
| Proceeds from long-term debt issuance | 4,386 | 3,368 | 1,785 |
| Retirements of long-term debt | (5,879) | (3,732) | (1,659) |
| Issuance of common shares | 1,053 | 703 | 1,167 |
| Dividends paid | (1,774) | (1,748) | (1,563) |
| Increase in short-term borrowings-net | 2,586 | 1,341 | 969 |
| Other financing activities-net | 25 | (162) | (4) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 397 | (230) | 695 |
| Effect of exchange rate changes on cash | 3 | 26 | (19) |
| Net (decrease) increase in cash and temporary cash investments | (841) | (774) | 66 |
| Cash and temporary cash investments at beginning of year | 1,512 | 2,286 | 2,220 |
| Cash and temporary cash investments at end of year | $ 671 | $ 1,512 | $ 2,286 |

The notes on pages 7 through 29 are an integral part of the consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT&T CORP. (AT&T)
AND SUBSIDIARIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ............................

CONSOLIDATION

| Ownership of affiliates | Accounting method |
|---|---|
| More than 50% | Fully consolidated |
| 20% to 50% | Equity method |
| Less than 20% | Cost method |

We include the accounts of operations located outside the U.S. on the basis of their fiscal years, ended either November 30 or December 31.

CURRENCY TRANSLATION

For the business we transact in currencies other than U.S. dollars, we translate income statement amounts at average exchange rates for the year, and we translate assets and liabilities at year-end exchange rates. We show the adjustments from balance sheet translation as a separate component of shareowners' equity.

REVENUE RECOGNITION

| Revenue from | Basis of recognition |
|---|---|
| Telecommunications Services | Minutes of traffic processed and contracted fees |
| Products and Systems | Upon performance of contractual obligations |
| Rentals and Other | Proportionately over contract |

| | |
|---|---|
| Services | period or as services are performed |
| Financial Services and Leasing | Over the life of the finance receivables using the interest method |

RESEARCH AND DEVELOPMENT

We expense research and development expenditures as incurred (including development costs of software that we plan to sell) until technological feasibility is established. After that time, we capitalize the remaining software production costs as other assets and amortize them to product costs over the estimated period of sales.

INTEREST EXPENSE

Interest expense is the interest on short-term and long-term debt and accrued liabilities, excluding the interest related to our financial services operations, which is included in cost of financial services and leasing, and net of interest capitalized in connection with construction.



INVESTMENT TAX CREDITS

For financial reporting purposes, we amortize investment tax credits as a reduction to the provision for income taxes over the useful lives of the property that produced the credits.

EARNINGS PER SHARE

We use the weighted average number of shares of common stock and common stock equivalents outstanding during each period to compute earnings per common share. Common stock equivalents are stock options that we assume to be exercised for the purposes of this computation.

TEMPORARY CASH INVESTMENTS

We consider temporary cash investments to be cash equivalents for cash flow reporting purposes. They are highly liquid and have original maturities generally of three months or less.

INVENTORIES

We state inventories at the lower of cost or market. We determine cost principally on a first-in, first-out (FIFO) basis.

PROPERTY, PLANT AND EQUIPMENT

We state property, plant and equipment at cost and determine depreciation using either the group or unit method. The unit method is used primarily for factory facilities, laboratory equipment, large computer systems, and certain international earth stations and submarine cables. The group method is used for most other depreciable assets. Repair and maintenance costs are charged to expense when incurred. Renewals and betterments are capitalized. Gains or losses on disposition of property and equipment are reflected in income currently. When we dispose of assets that were depreciated using the unit method, we include the gains or losses in operating results. When we sell or retire plant that was depreciated using the group method, we deduct the original cost from the plant account and from accumulated depreciation.

We use accelerated depreciation methods for factory facilities and digital equipment used in the telecommunications network, except switching equipment placed in service before 1989. All other plant and equipment is depreciated on a straight-line basis.

In our Wireless Services Unit, property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are generally 10 to 12 years for cellular, 2 to 12 years for messaging, 10 to 20 years for broadcast, 3 to 12 years for air-to-ground and 3 to 5 years for other equipment. Leasehold improvements are amortized using the straight-line method over the terms of the leases.

LICENSING COSTS

Licensing costs primarily represent costs incurred to develop or acquire cellular and messaging licenses. Generally, amortization begins with the commencement of service to customers and is computed using the straight-line method over a period of 40 years.

GOODWILL

Goodwill is the difference between the purchase price and the fair value of net assets acquired in business combinations treated as purchases. We amortize goodwill on a straight-line basis over the periods benefited, principally in the range of 10 to 40 years.

RECLASSIFICATIONS

We reclassified certain amounts for previous years to conform with the 1993 presentation.

2. CHANGES IN ACCOUNTING PRINCIPLES ....................................

POSTRETIREMENT BENEFITS

We adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective January 1, 1993. This standard requires us to accrue estimated future retiree benefits during the years employees are working and accumulating these benefits. Previously, we expensed health care benefits as claims were incurred and life insurance benefits as plans were funded.

When we adopted the new standard, we had an accumulated liability related to past service from retirees and active employees. A portion of that liability was provided for by group life insurance benefits and trusts for health care benefits funded before 1993.

We also reimburse the divested regional Bell companies for a portion of their costs to provide health care benefits, increases in pensions and other benefits to predivestiture retirees under the terms of the Divestiture Plan of Reorganization. Through 1992 we expensed these reimbursements as incurred. In January 1993 we recognized this liability in connection with the adoption of SFAS No. 106.

We elected to record a one-time pretax charge of $11,317 million to record the unfunded portions of these liabilities. That charge reflects $12,986 million of liabilities less $1,669 million of plan assets and amounts previously recorded. After taxes, that charge was $7,023 million ($4.54 per share), including $1,375 million for predivestiture retirees. Apart from these cumulative effects on prior years of the accounting change, our change in accounting had no material effect on net income in 1993 and is not expected to affect net income materially in future periods. This change does not affect cash flows.

POSTEMPLOYMENT BENEFITS

We also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1993. Analogous to SFAS No. 106, this standard requires us to accrue for estimated future postemployment benefits, including separation payments, during the years employees are working and accumulating these benefits, and for disability payments when the disabilities occur. Before this change in accounting, we recognized costs for separations when they were identified and disability benefits when they were paid.



When we adopted the new standard, we had an accumulated liability for payments to employees who were then disabled and for benefits related to the past service of active employees. We recorded a one-time pretax charge of $1,809 million to record the unprovided portion of these liabilities. That charge reflects $2,221 million of liabilities less $412 million of reserves for business restructuring activities that were established before 1993 and reclassified to postemployment liabilities as part of this accounting change. After taxes, that charge was $1,128 million ($0.73 per share). The change in accounting reduced operating income by $301 million, and net income by $171 million ($0.11 per share) in 1993. This change does not affect cash flows.

INCOME TAXES

We also adopted SFAS No. 109, "Accounting for Income Taxes," effective January 1, 1993. Among other provisions, this standard requires us to compute deferred tax accounts using the enacted corporate income tax rates for the years in which the taxes will be paid or refunds received. Before 1993 our deferred tax accounts reflected the rates in effect when we made the deferrals.

The adoption of this standard reduced net income by $1,457 million ($0.94 per share) as a result of deferred liabilities that were created by McCaw Cellular Communications' ("McCaw") acquisitions prior to the merger. Apart from this reduction, the new accounting method had no material effect on net income in 1993. Unless Congress changes tax rates, we do not expect this change to affect net income materially in future periods. This change does not affect cash flows.

3. PROSPECTIVE ACCOUNTING CHANGES .......................................

DEBT AND EQUITY SECURITIES

In 1994 we must adopt SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This standard addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. We do not expect this new standard to affect net income materially at or after adoption, and it will not affect cash flows.

IMPAIRED LOANS

By 1995 we must adopt SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." This standard requires us to compute present values for impaired loans when determining our allowances for credit losses. We do not expect this new standard to affect net income materially at or after adoption, and it will not affect cash flows.



4. MERGER WITH MCCAW CELLULAR COMMUNICATIONS, INC. ......................

On September 19, 1994, AT&T merged with McCaw. As a result, 197.5 million shares of McCaw common stock were converted into AT&T common stock at an exchange ratio of 1 share of AT&T common stock for each McCaw share. In addition, AT&T assumed 11.3 million McCaw options which were converted into AT&T stock options at the same exchange ratio resulting in 11.3 million additional AT&T stock options at an average exercise price of $27.01. The merger was accounted for as a pooling of interests and the consolidated financial statements of AT&T have been restated for all periods prior to the merger to include the accounts and operations of McCaw. Intercompany transactions have not been eliminated due to the immateriality of the amounts involved. Certain reclassifications have been made to McCaw's accounts to conform to AT&T's presentation. Operating results of the companies for periods prior to the merger were:

| Sales and Revenues<br>Dollars in millions | 1993 | 1992 | 1991 |
|---|---|---|---|
| AT&T | $67,156 | $64,904 | $63,089 |
| McCaw | 2,195 | 1,743 | 1,366 |
| Total | $69,351 | $66,647 | $64,455 |

| Net Income (Loss) | | | |
|---|---|---|---|
| AT&T | $(3,794) | $ 3,807 | $ 522 |
| McCaw | (2,112)* | (365) | (351) |
| Total | $(5,906) | $ 3,442 | $ 171 |

* Includes a charge of $45 million previously reported as an extraordinary item for the early redemption of debt.

5. SUPPLEMENTARY FINANCIAL INFORMATION ..................................

SUPPLEMENTARY INCOME STATEMENT INFORMATION

| Dollars in millions | 1993 | 1992 | 1991 |
|---|---|---|---|
| INCLUDED IN COSTS OF PRODUCTS AND SYSTEMS | | | |
| Amortization of software production costs | $ 359 | $ 315 | $ 311 |
| COSTS OF FINANCIAL SERVICES AND LEASING | | | |
| Interest expense | $ 506 | $ 485 | $ 446 |
| Depreciation, allowance for losses, etc. | 1,205 | 825 | 626 |
| Costs of financial services and leasing | $1,711 | $1,310 | $1,072 |
| INCLUDED IN SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | | | |
| Amortization of goodwill | $ 89 | $ 80 | $ 64 |
| OTHER INCOME-NET | | | |
| Interest income | $ 141 | $ 167 | $ 200 |
| Royalties and dividends | 59 | 48 | 55 |

| | | | |
|---|---|---|---|
| Earnings (losses) applicable to minority interests | (28) | 40 | (15) |
| Miscellaneous-net | 304 | (92) | 33 |
| Other income-net | $ 476 | $ 163 | $ 273 |
| DEDUCTED FROM INTEREST EXPENSE | | | |
| Capitalized interest | $ 72 | $ 62 | $ 79 |



SUPPLEMENTARY BALANCE SHEET INFORMATION

| Dollars in millions at December 31 | 1993 | 1992 |
|---|---|---|
| INVENTORIES | | |
| Completed goods | $ 1,927 | $ 1,705 |
| Work in process and raw materials | 1,295 | 969 |
| Inventories | $ 3,222 | $ 2,674 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land and improvements | $ 757 | $ 700 |
| Buildings and improvements | 8,608 | 8,330 |
| Machinery, electronic and other equipment | 33,930 | 32,954 |
| Total property, plant and equipment | 43,295 | 41,984 |
| Less: Accumulated depreciation | 22,280 | 21,186 |
| Property, plant and equipment-net | $21,015 | $20,798 |
| INVESTMENTS | | |
| Accounted for by the equity method | $ 2,603 | $ 2,473 |
| Stated at lower of cost or market | 457 | 257 |
| Investments | $ 3,060 | $ 2,730 |
| OTHER ASSETS | | |
| Unamortized software production costs | $ 413 | $ 521 |
| Goodwill, net of accumulated amortization | 1,359 | 1,210 |
| Prepaid postretirement healthcare costs | - | 773 |
| Deferred charges and other | 1,793 | 1,771 |
| Other assets | $ 3,565 | $ 4,275 |
| DEBT MATURING WITHIN ONE YEAR | | |
| Commercial paper | $ 8,761 | $ 6,053 |
| Long-term debt | 2,019 | 1,249 |
| Long-term lease obligations | 52 | 108 |
| Other notes | 231 | 281 |
| Debt maturing within one year | $11,063 | $ 7,691 |



SUPPLEMENTARY CASH FLOW INFORMATION

| Dollars in millions | 1993 | 1992 | 1991 |
|---|---|---|---|
| Interest payments net of amounts capitalized | $ 1,640 | $ 1,510 | $ 1,504 |
| Income tax payments | 1,733 | 727 | 1,239 |

The following table displays the non-cash items excluded from the consolidated statements of cash flows:

| Dollars in millions | 1993 | 1992 | 1991 |
|---|---|---|---|
| Machinery and equipment acquired under capital lease obligations | $ 15 | $ 60 | $ 114 |
| EXCHANGE OF STOCK | | | |
| Net assets | $ (43) | - | - |
| Investments | 260 | - | - |
| Licenses | 96 | | |
| | $ 313 | - | - |

| | | | |
|---|---|---|---|
| ACQUISITION ACTIVITIES | | | |
| Net receivables | $ 19 | $ 131 | $ (1) |
| Inventories | 1 | 48 | 5 |
| Property, plant and equipment | 132 | 82 | 12 |
| Licensing costs | (5) | 75 | (112) |
| Accounts payable | (7) | (37) | (27) |
| Short- and long-term debt | (3) | (93) | (4) |
| Other operating assets and liabilities-net | 91 | 102 | (205) |
| Net non-cash items | 228 | 308 | (332) |
| Net cash used for acquisitions | $ 228 | $ 308 | $ (332) |

6. BUSINESS RESTRUCTURING AND OTHER CHARGES..............................

Provisions for business restructuring include the estimated costs of specific plans to close offices, consolidate facilities, relocate employees and fulfill contractual obligations, and of other activities involved in restructuring operations. These provisions also cover separation payments made as a result of special offers related to defined benefit plans. Before we changed our accounting for postemployment benefits in 1993, costs for other types of separation payments were also included in these provisions.

Our $498 million in provisions for business restructuring in 1993 covered $227 million of costs at AT&T Global Information Solutions (including, in millions, $137 for special termination benefits, $43 for closing facilities, $18 for employee relocation, $19 for contractual obligations and $10 for other related expenses). We also provided $215 million for reengineering customer support functions for telecommunications services (including, in millions, $55 for employee relocation, $25 for outplacement costs, $30 for legal contingencies and $105 for closing facilities, lease terminations and asset abandonments associated with centralizing support services). The remaining provisions consist of $23 million related to closing plants for manufacturing telecommunications network systems, and $33 million for employee relocation, outplacement services and legal liabilities related to restructuring operations that service the U.S. federal government.




In 1991 we recorded approximately $4.5 billion of business restructuring and other charges, reducing net income by $2,863 million ($1.94 per share). The charges covered estimated costs of changes in our computer operations, PBX operations and product distribution processes; consolidating operations in leased and owned buildings and recognizing costs of vacant space; eliminating a future subsidy to an Alaskan long distance company; writing down an investment; and other restructuring-related activities, merger-related expenses and other charges. We recorded these charges as $3,572 million in provisions for business restructuring; $501 million as selling, general and administrative expenses; $123 million as cost of products and systems; and the remainder as other costs and expenses, including other income - net. Charges included in other accounts in 1991 were primarily for expenses related to the restructuring activities, writing down impaired assets and merger-related expenses.

The remaining reserves for separation payments at January 1, 1993, were included in the cumulative effect of the change in accounting for postemployment benefits. We believe that the balance of reserves for all other business restructuring activities, $1,440 million at December 31, 1993, is adequate for the completion of those activities.

7. OTHER INCOME-NET.....................................................

In June 1993 we sold our remaining 77% interest in UNIX System Laboratories, Inc. to Novell, Inc. (Novell) in exchange for approximately 3% of Novell common stock. Our gain on the sale was $217 million.

In 1993 we incurred an expense of $124 million associated with the write down of equipment.

We sold our remaining interest in Compagnie Industriali Riunite S.p.A. in 1993 for a slight gain. We reduced the carrying value of that investment by $68 million in 1992 and by $218 million in 1991 because of a sustained decline in its market value.

We accrued $134 million for a preferred stock dividend in 1993, 1992 and 1991 for the mandatorily redeemable preferred stock issued by LCH Communications ("LCH"), a subsidiary of LIN Broadcasting ("LIN"), (a subsidiary of McCaw).

In 1991 we had a $171 million gain from selling our 19% equity investment in Sun Microsystems, Inc. We also had a $243 million gain on the sale of our cellular assets in Indiana, Wisconsin and Illinois to BellSouth.

8. SALE OF STOCK BY SUBSIDIARIES ......................................

In August 1993 AT&T Capital Corporation sold 5,750,000 shares of common stock in an initial public offering and approximately 850,000 shares of common stock in a management offering. That was about 14% of the shares outstanding, so our ownership is now about 86%. The shares were sold at $21.50 per share, yielding net proceeds of $115 million excluding $18 million of recourse loans attributable to the management offering. Because of these loans, we recorded a $9 million loss on the sale. When the loans are collected in seven years, we expect to report a net $6 million gain from this sale of stock.

In 1991 UNIX Systems Laboratories, Inc. sold about 20% of its stock to other companies to encourage their support for open computing standards. We had a $43 million gain on that sale. Proceeds from the sale were in cash and we did not provide for deferred taxes on the gain.



9. INCOME TAXES .......................................................

This table shows the principal reasons for the difference between the effective income tax rate and the United States Federal statutory income tax rate:

| Dollars in millions | 1993 | 1992 | 1991 |
|---|---|---|---|
| U.S. Federal statutory income tax rate | 35% | 34% | 34% |
| Federal income tax at statutory rate | $2,101 | $1,917 | $ 198 |
| Amortization of investment tax credits | (92) | (221) | (142) |
| State and local income taxes, net of federal income tax effect | 287 | 243 | 71 |
| Amortization of intangibles | 24 | 110 | 108 |
| Foreign rate differential | 45 | 75 | 54 |
| Taxes on repatriated and accumulated foreign income, net of tax credits | (20) | 67 | (12) |
| Research credits | (47) | (18) | (5) |
| Capital loss carryforward | - | (13) | 32 |
| Effect of tax rate change on deferred tax assets | (23) | - | - |
| Other differences-net | 26 | 36 | 106 |
| Provision for income taxes | $2,301 | $2,196 | $ 410 |
| Effective income tax rate | 38.3% | 39.0% | 70.6% |

The U.S. and foreign components of income before income taxes and the provision for income taxes are presented in this table:

| Dollars in millions | 1993 | 1992 | 1991 |
|---|---|---|---|
| INCOME BEFORE INCOME TAXES | | | |
| United States | $5,705 | $5,308 | $ 71 |
| Foreign | 298 | 330 | 510 |
| | $6,003 | $5,638 | $ 581 |
| PROVISION FOR INCOME TAXES | | | |
| CURRENT | | | |
| Federal | $ 925 | $ 533 | $ 826 |
| State and local | 206 | 142 | 206 |
| Foreign | 169 | 215 | 302 |
| | 1,300 | 890 | 1,334 |
| DEFERRED | | | |
| Federal | 910 | 1,384 | (800) |
| State and local | 212 | 225 | (96) |
| Foreign | (41) | (85) | 140 |
| | 1,081 | 1,524 | (756) |
| Deferred investment tax credits-net* | (80) | (218) | (168) |
| Provision for income taxes | $2,301 | $2,196 | $ 410 |

* Net of amortization of $92 in 1993, $221 in 1992 and $142 in 1991.

Deferred tax liabilities are taxes we expect to pay in future periods. Similarly, deferred tax assets are taxes we expect to get refunded in future periods. Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities.

This table shows the December 31, 1993 amounts of deferred tax assets and liabilities, which include the effects of our January 1, 1993 accounting changes:

| Dollars in millions | Assets | Liabilities |
|---|---|---|
| Property, plant and equipment | $ - | $5,607 |
| Business restructuring charges | 666 | - |
| Employee, postretirement and postemployment benefits | 4,056 | 56 |
| Reserves and allowances | 1,053 | - |
| Credit carryforwards | 395 | - |
| Unamortized investment tax credits | 119 | - |
| Other | 60 | 633 |
| Valuation allowance | (205) | - |
| Deferred income taxes | $6,144 | $6,296 |

Prior year financial statements were not restated to reflect the new accounting standards. This table shows the principal sources of deferred taxes in prior years:

| Dollars in millions | 1992 | 1991 |
|---|---|---|
| Property, plant and equipment | $ 992 | $ 559 |
| Business restructuring charges | 218 | (1,103) |
| Employee pensions and other benefits | 234 | (26) |
| Reserves and allowances | 108 | (208) |
| Other timing differences-net | (28) | 22 |
| Deferred income tax provision | $1,524 | $ (756) |

## 10. LEASES ..........................................................

AS LESSOR

We provide financing on sales of our products and those of other companies and lease our products to customers under sales-type leases. This table displays our net investment in direct financing and sales-type leases:

| Dollars in millions at December 31 | 1993 | 1992 |
|---|---|---|
| Minimum lease payments receivable | $4,226 | $3,780 |
| Estimated unguaranteed residual values | 543 | 484 |
| Unearned income | (797) | (736) |
| Allowance for credit losses | (110) | (91) |
| Net investment | $3,862 | $3,437 |

This table shows the scheduled maturities of the $4,226 million minimum lease payments receivable on these leases at December 31, 1993:

| 1994 | 1995 | 1996 | 1997 | 1998 | Later Years |
|---|---|---|---|---|---|
| $1,434 | $1,080 | $797 | $489 | $234 | $192 |



## 11. SHAREOWNERS' EQUITY ................................................

| Dollars in millions | Common Shares | Additional Paid-in Capital | Foreign Currency Translation Adjustments | Retained Earnings (deficit) |
|---|---|---|---|---|
| At December 31, 1990 | $1,454 | $11,477 | $ 50 | $ 5,466 |
| 1991 | | | | |
| Net income | - | - | - | 171 |
| Dividends declared | - | - | - | (1,612) |
| Shares issued: | | | | |
| Under employee plans | 7 | 126 | - | 34 |
| Under shareowner plans | 11 | 381 | - | - |
| In private placement | 18 | 629 | - | - |
| Other | 2 | 58 | - | - |
| Shares repurchased | (1) | (3) | - | (20) |

| | | | | |
|---|---|---|---|---|
| Translation adjustments | - | - | 108 | - |
| Other changes | - | 2 | - | 77 |
| At December 31, 1991 | 1,491 | 12,670 | 158 | 4,116 |
| 1992 | | | | |
| Net income | - | - | - | 3,442 |
| Dividends declared | - | - | - | (1,759) |
| Shares issued: | | | | |
| Under employee plans | 14 | 307 | - | - |
| Under shareowner plans | 10 | 402 | - | - |
| Other | - | 2 | - | - |
| For merger with Teradata | 11 | 103 | - | - |
| Teradata balance recorded | - | - | - | (178) |
| Shares repurchased | - | (2) | - | - |
| Translation adjustments | - | - | (93) | - |
| Other changes | - | 3 | - | 23 |
| At December 31, 1992 | 1,526 | 13,485 | 65 | 5,644 |
| 1993 | | | | |
| Net income | - | - | - | (5,906) |
| Dividends declared | - | - | - | (1,780) |
| Shares issued: | | | | |
| Under employee plans | 6 | 183 | - | - |
| Under shareowner plans | 8 | 450 | - | - |
| Other | 7 | 208 | - | - |
| Shares repurchased | - | (4) | - | - |
| Translation adjustments | - | - | (97) | - |
| Other changes | - | 2 | - | (68) |
| At December 31, 1993 | $1,547 | $14,324 | $ (32) | $(2,110) |

In 1992 we recorded the retained earnings of Teradata Corporation (Teradata) as of January 1, after making adjustments associated with the merger. In September 1991 NCR Corporation (NCR) issued 6.3 million shares of NCR common stock in connection with the merger with AT&T. The shares were converted into approximately 17.9 million shares of our common stock upon consummation of the merger.

In March 1990 we issued 13.4 million new shares of common stock in connection with the establishment of an ESOP feature for the non-management savings plan. The shares are being allocated to plan participants over ten years commencing in July 1990 as contributions are made to the plan.

We have 100 million authorized shares of preferred stock at $1 par value. No preferred stock is currently issued or outstanding.





## 12. LONG-TERM DEBT OBLIGATIONS

This table shows the outstanding long-term debt obligations in millions at December 31:

| Interest Rates | Maturities | 1993 | 1992 |
|---|---|---|---|
| DEBENTURES | | | |
| 4 3/8% to 4 3/4% | 1996-1999 | $ 750 | $ 750 |
| 5 1/8% to 7 1/8% | 2000-2001 | 500 | 1,673 |
| 8% to 9% | 2008-2031 | 1,676 | 2,690 |
| 11 1/2% to 14% | 1998-2008 | | 1,217 |
| NOTES | | | |
| 4 1/4% to 7 3/4% | 1994-2004 | 3,605 | 2,515 |
| 7 4/5% to 8 19/20% | 1994-2006 | 445 | 740 |
| 9% to 13% | 1994-2020 | 616 | 1,310 |
| Variable rate | 1994-1999 | 6,072 | 4,250 |
| | | 13,664 | 15,145 |
| Long-term lease obligations | | 163 | 302 |
| Other | | 89 | 148 |
| Less: Unamortized discount-net | | 43 | 72 |
| | | 13,873 | 15,523 |
| Less: Amounts maturing within one year | | 2,071 | 1,357 |
| Total long-term obligations | | $11,802 | $14,166 |

This table shows the maturities, at December 31, 1993, of the $13,664 million in debentures and notes:

| 1994 | 1995 | 1996 | 1997 | 1998 | Later Years |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| $2,019 | $1,444 | $1,491 | $1,168 | $1,874 | $5,668 |

A consortium of lenders provides revolving credit facilities of $6 billion to AT&T and $2 billion to AT&T Capital Corp. (AT&T Capital). These facilities are intended for general corporate purposes, which include support for AT&T's and AT&T Capital's commercial paper. They were unused at December 31, 1993.

## 13. EMPLOYEE BENEFIT PLANS ..............................................

### PENSION PLANS

We sponsor non-contributory defined benefit plans covering the majority of our employees. Benefits for management employees are principally based on career-average pay. Benefits for occupational employees are not directly pay-related.

Pension contributions are principally determined using the aggregate cost method and are primarily made to trust funds held for the sole benefit of plan participants. We compute pension cost using the projected unit credit method and assumed a long-term rate of return on plan assets of 9.0% in 1993, 9.0% in 1992 and 8.6% in 1991. Pension cost includes the following components:



| Dollars in millions | 1993 | 1992 | 1991 |
|---|---|---|---|
| Service cost-benefits earned during the period | $ 536 | $ 452 | $ 303 |
| Interest cost on projected benefit obligation | 2,294 | 2,225 | 2,136 |
| Amortization of unrecognized prior service costs | 251 | 346 | 310 |
| Credit for expected return on plan assets* | (3,108) | (2,973) | (2,728) |
| Amortization of transition asset | (502) | (502) | (502) |
| Charges for special pension options | 74 | 11 | 108 |
| Net pension cost (credit) | $ (455) | $ (441) | $ (373) |

*The actual return on plan assets was $5,068 in 1993, $2,153 in 1992 and $6,980 in 1991.

This table shows the funded status of the defined benefit plans:

| Dollars in millions at December 31 | 1993 | 1992 |
|---|---|---|
| Actuarial present value of accumulated benefit obligation, including vested benefits of $28,119 and $24,818, respectively | $30,943 | $27,316 |
| Plan assets at fair value | $41,481 | $38,767 |
| Less: Actuarial present value of projected benefit obligation | 32,680 | 28,719 |
| Excess of assets over projected benefit obligation | 8,801 | 10,048 |
| Unrecognized prior service costs | 2,052 | 2,200 |
| Unrecognized transition asset | (3,960) | (4,463) |
| Unrecognized net gain | (3,513) | (4,613) |
| Net minimum liability of non-qualified plans | (72) | (45) |
| Prepaid pension costs | $ 3,308 | $ 3,127 |

We used these rates and assumptions to calculate the projected benefit obligation:

| At December 31 | 1993 | 1992 |
|---|---|---|
| Weighted-average discount rate | 7.5% | 8.3% |
| Rate of increase in future compensation levels | 5.0% | 5.0% |

The prepaid pension costs shown above are net of pension liabilities for plans where accumulated plan benefits exceed assets. Such liabilities are included in other liabilities in the consolidated balance sheets.

We are amortizing over approximately 15.9 years the unrecognized transition asset related to our 1986 adoption of SFAS No. 87, "Employers' Accounting for Pensions." We amortize prior service costs primarily on a straight-line basis over the average remaining service period of active employees. Our plan assets consist primarily of listed stocks (including $378 million and $451 million of AT&T common stock at December 31, 1993 and 1992, respectively), corporate and governmental debt, real estate investments, and cash and cash equivalents.




SAVINGS PLANS

We sponsor savings plans for the majority of our employees. The plans allow employees to contribute a portion of their pretax and/or after-tax income in accordance with specified guidelines. We match a percentage of the employee contributions up to certain limits. Our contributions in millions amounted to $347 in 1993, $331 in 1992 and $279 in 1991.

14. POSTRETIREMENT BENEFITS ..........................................

Our benefit plans for retirees include health care benefits, life insurance coverage and telephone concessions. This table shows the components of the net postretirement benefit cost:

| Dollars in millions | 1993 |
|---|---|
| Service cost-benefits earned during the period | $ 95 |
| Interest cost on accumulated postretirement benefit obligation | 868 |
| Credit for expected return on plan assets* | (180) |
| Amortization of unrecognized prior service costs | 29 |
| Charge for special options | 29 |
| Net postretirement benefit cost | $841 |

* The actual return on plan assets was $243.

We did not restate our 1991 and 1992 financial statements to reflect the change in accounting for retiree benefits. This table shows our actual postretirement benefit costs on a pay-as-you-go basis in those years:

| Dollars in millions at December 31, | 1992 | 1991 |
|---|---|---|
| Cost of health care benefits for retirees | $532 | $532 |
| Cost of life insurance benefits for retirees | 3 | 26 |
| Cost of telephone concessions and other benefits | 39 | 35 |
| Payments to regional Bell companies for predivestiture retirees | 145 | 125 |
| Postretirement benefit cost | $719 | $718 |

We had approximately 142,200 retirees in 1993, 141,200 in 1992 and 138,500 in 1991.

Our plan assets consist primarily of listed stocks, corporate and governmental debt, cash and cash equivalents and life insurance contracts. This table shows the funded status of our postretirement benefit plans reconciled with the amounts recognized in the consolidated balance sheet:

| Dollars in millions at December 31 | 1993 |
|---|---|
| Accumulated postretirement benefit obligation | |
| Retirees | $ 8,928 |
| Fully eligible active plan participants | 893 |
| Other active plan participants | 2,092 |
| Accumulated postretirement benefit obligation | 11,913 |
| Plan assets at fair value | 2,900 |
| Unfunded postretirement obligation | 9,013 |
| Unrecognized prior service costs | 283 |
| Unrecognized net loss | 569 |
| Accrued postretirement benefit obligation | $ 8,161 |




We made these assumptions in valuing our postretirement benefit obligation at December 31, 1993:

| | |
|---|---|
| Weighted-average discount rate | 7.5% |
| Expected long-term rate of return on plan assets | 9.0% |
| Assumed rate of increase in the per capita cost of covered health care benefits | 9.4% |

We assumed that the growth in the per capita cost of covered health care benefits (the health care cost trend rate) would gradually decline after 1994 to 5.6% by the year 2021 and then remain level. This assumption greatly affects the amounts reported. To illustrate, increasing the assumed trend rate by 1% in each year would raise our accumulated postretirement benefit obligation at December 31, 1993 by $758 million and our 1993 postretirement benefit costs by $64 million.

## 15. STOCK OPTIONS ......................................................

In our Long Term Incentive Program, we grant stock options, stock appreciation rights (SARs), either in tandem with stock options or free-standing, and other awards. On January 1 of each year, 0.6% of the outstanding shares of our common stock become available for grant. The exercise price of any stock option is equal to or greater than the stock price when the option is granted. When granted in tandem, exercise of an option or SAR cancels the other to the extent of such exercise. Before our mergers with McCaw, NCR and Teradata, stock options were granted under the separate stock option plans of those companies. No new options can be granted under those plans. Option transactions are shown below:

| Number of Shares | 1993 | 1992 | 1991 |
|---|---|---|---|
| Balance at January 1 | 36,777,098 | 37,267,956 | 30,521,623 |
| Options assumed in merger with Teradata | - | 1,848,642 | - |
| Options granted | 7,261,355 | 7,580,568 | 10,592,414 |
| Options and SARs exercised | (5,766,132) | (9,504,536) | (3,489,599) |
| Average price | $23.93 | $13.66 | $16.77 |
| Options forfeited | (260,843) | (415,532) | (356,482) |
| At December 31: | | | |
| Options outstanding | 38,011,478 | 36,777,098 | 37,267,956 |
| Average price | $33.52 | $28.53 | $23.84 |
| Options exercisable | 24,063,837 | 23,759,421 | 26,121,224 |
| Shares available for grant | 25,264,307 | 22,614,535 | 18,231,260 |

During 1993 167,747 SARs were exercised and no SARs were granted. At December 31, 1993, 925,210 SARs remained unexercised and all of these were exercisable.



## 16. SEGMENT INFORMATION ................................................

### INDUSTRY SEGMENTS

Our operations in the global information movement and management industry involve providing wireline and wireless telecommunications services, business information processing systems, and other systems, products and services that combine communications and computers. Our operations in the financial services and leasing industry involve direct financing and finance leasing programs for our products and the products of other companies, leasing products to customers under operating leases and being in the general-purpose credit card business. Miscellaneous other activities, including the distribution of computer equipment through retail outlets, in the aggregate, represent less than 10% of revenues, operating income and identifiable assets and are included in the information movement and management segment. Revenues between industry segments are not material.

| Dollars in millions | 1993 | 1992 | 1991 |
|---|---|---|---|
| REVENUES | | | |
| Information movement and management | $66,847 | $64,753 | $63,071 |
| Financial services and leasing | 2,504 | 1,894 | 1,384 |
| | $69,351 | $66,647 | $64,455 |
| OPERATING INCOME | | | |
| Information movement and management | $ 6,839 | $ 7,200 | $ 2,220 |
| Financial services and leasing | 339 | 193 | (34) |
| Corporate and non-operating | (1,175) | (1,755) | (1,605) |

| | | | |
|---|---|---|---|
| Income before income taxes | $ 6,003 | $ 5,638 | $ 581 |
| ASSETS | | | |
| Information movement and management | $52,371 | $50,661 | $49,748 |
| Financial services and leasing | 17,033 | 14,003 | 9,809 |
| Corporate assets | 704 | 1,849 | 2,809 |
| Eliminations | (715) | (409) | (294) |
| | $69,393 | $66,104 | $62,072 |
| DEPRECIATION AND AMORTIZATION | | | |
| Information movement and management | $ 4,271 | $ 4,046 | $ 4,323 |
| Financial services and leasing | 431 | 352 | 160 |
| CAPITAL EXPENDITURES | | | |
| Information movement and management | $ 3,831 | $ 3,710 | $ 3,888 |
| Financial services and leasing | 457 | 633 | 472 |
| TOTAL LIABILITIES | | | |
| Financial services and leasing | $15,329 | $12,250 | $ 8,720 |



GEOGRAPHIC SEGMENTS

Transfers between geographic areas are on terms and conditions comparable with sales to external customers. The methods followed in developing the geographic area data require the use of estimation techniques and do not take into account the extent to which product development, manufacturing and marketing depend upon each other. Thus the information may not be indicative of results if the geographic areas were independent organizations.

| Dollars in millions | 1993 | 1992 | 1991 |
|---|---|---|---|
| REVENUES-EXTERNAL CUSTOMERS | | | |
| United States | $63,775 | $60,977 | $59,013 |
| Other geographic areas | 5,576 | 5,670 | 5,442 |
| | $69,351 | $66,647 | $64,455 |
| TRANSFERS BETWEEN GEOGRAPHIC AREAS (ELIMINATED IN CONSOLIDATION) | | | |
| United States | $ 1,374 | $ 1,077 | $ 870 |
| Other geographic areas | 1,125 | 911 | 884 |
| | $ 2,499 | $ 1,988 | $ 1,754 |
| OPERATING INCOME | | | |
| United States | $ 7,425 | $ 7,441 | $ 1,790 |
| Other geographic areas | (247) | (48) | 396 |
| Corporate and non-operating | (1,175) | (1,755) | (1,605) |
| Income before income taxes | $ 6,003 | $ 5,638 | $ 581 |
| ASSETS | | | |
| United States | $63,594 | $60,409 | $55,304 |
| Other geographic areas | 6,901 | 5,373 | 4,931 |
| Corporate assets | 704 | 1,849 | 2,809 |
| Eliminations | (1,806) | (1,527) | (972) |
| | $69,393 | $66,104 | $62,072 |

Data on other geographic areas pertain to operations that are located outside of the U.S. Our revenues from all international activities, including those in the table, international telecommunications services and exports, provided 24.4% of consolidated revenues in 1993.

Business restructuring and other charges were taken primarily in the information movement and management segment and the U.S. geographic area. Corporate assets are principally cash and temporary cash investments.

17. FINANCIAL INSTRUMENTS ..............................................

We use various financial instruments in the normal course of our business. By their nature all such instruments involve risk, and our maximum potential loss may exceed the amount recognized in our balance sheet. As is customary for these types of instruments, we usually do not require collateral or other security from other parties to these instruments.

However, because we control our exposure to credit risk through credit approvals, credit limits and monitoring procedures, we believe that our reserves for losses are adequate.



COMMITMENTS TO EXTEND CREDIT

We participate in the general-purpose credit card business through AT&T Universal Card Services Corp., a wholly owned subsidiary. We purchase essentially all cardholder receivables under an agreement with the Universal Bank, a subsidiary of Synovus Financial Corporation, which issues the cards.

LETTERS OF CREDIT

Letters of credit are purchased guarantees that ensure our performance or payment to third parties in accordance with specified terms and conditions.

GUARANTEES OF DEBT

From time to time, we guarantee the financing for product purchases by customers outside the U.S., and the debt of certain unconsolidated joint ventures.

INTEREST RATE AGREEMENTS

We enter into interest rate cap and swap agreements to manage our exposure to changes in interest rates. The swap agreements generally involve the exchange of fixed or floating interest payments without the exchange of the underlying principal amounts. For cap agreements, we pay premiums to protect us from rising interest rates on our floating rate debt.

FOREIGN EXCHANGE CONTRACTS

We enter into foreign currency exchange contracts, including forward, option and swap contracts, to manage our exposure to changes in currency exchange rates.

FAIR VALUES OF FINANCIAL INSTRUMENTS

| Financial instrument | Valuation method |
|---|---|
| Universal Card finance receivables | Carrying amounts. These accrue interest at a prime-based rate. |
| All other finance receivables | Future cash flows discounted at market rates. |
| Debt excluding capital leases | Market quotes or based on rates available to us for debt with similar terms and maturities. |
| Commitments to extend credit | Receivables we would need to purchase if all Universal Card accounts were used up to their full credit limits. |
| Letters of credit | Fees paid to obtain the obligations. |
| Guarantees of debt | Costs to terminate agreements. |
| Interest rate swap agreements | Costs to terminate agreements. |
| Interest rate cap agreements | Costs to terminate agreements. |
| Foreign exchange contracts | Market quotes. |



The table below shows the carrying or contract/notional amounts and estimated fair values of material financial instruments used in the normal course of our business.

| Dollars in millions | 1993 | | 1992 | |
|---|---|---|---|---|
| | CARRYING AMOUNT | FAIR VALUE | Carrying Amount | Fair Value |
| ON BALANCE SHEET | | | | |
| Finance receivables other than leases | $10,320 | $10,337 | $ 7,798 | $ 7,803 |
| Debt excluding capital leases | 22,702 | 23,032 | 21,555 | 21,891 |

| | CONTRACT/ NOTIONAL AMOUNT | Contract/ Notional Amount |
|---|---|---|
| OFF BALANCE SHEET* | | |
| Commitments to extend credit | $64,864 | $39,934 |
| Letters of credit | 680 | 455 |
| Guarantees of debt | 455 | 271 |
| Interest rate swap agreements | 3,835 | 1,863 |
| Interest rate cap agreements | 1,640 | 2,700 |
| Foreign exchange: | | |
| Forward contracts | 783 | 972 |
| Swap contracts | 361 | 369 |
| Option contracts | - | 35 |

*The fair values of off balance sheet instruments are negligible.

18. CONTINGENCIES ....................................................

In the normal course of business we are subject to proceedings, lawsuits and other claims, including proceedings under government laws and regulations related to environmental and other matters. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters at December 31, 1993. While these matters could affect the operating results of any one quarter when resolved in future periods, we believe that after final disposition, any monetary liability or financial impact to us beyond that provided for at year-end would not be material to our annual consolidated financial statements.

19. AT&T CREDIT HOLDINGS, INC. ..........................................

In connection with the March 31, 1993 legal restructuring of AT&T Capital Holdings, Inc. (formerly AT&T Capital Corporation), we issued a direct, full and unconditional guarantee of all the outstanding public debt of AT&T Credit Holdings, Inc. (formerly AT&T Credit Corporation).

AT&T Credit Holdings, Inc. holds the majority of AT&T's investment in AT&T Capital Corporation and the lease finance assets of the former AT&T Credit Corporation. The table below shows summarized consolidated financial information for AT&T Credit Holdings, Inc., which consolidates the accounts of AT&T Capital Corporation. Financial information for prior periods was restated for the legal restructuring. The summarized financial information includes transactions with AT&T that are eliminated in consolidation.



| Dollars in millions | 1993 | 1992 |
|---|---|---|
| Total revenue | $1,432 | $1,351 |
| Interest expense | 284 | 293 |
| Operating and administrative expense | 384 | 375 |
| Income before cumulative effect of change in accounting | 70 | 100 |
| Cumulative effect of change in accounting (SFAS No. 109) | 22 | - |
| Net income | 48 | 100 |
| Finance receivables | $6,220 | $5,565 |
| Net investment in operating lease assets | 978 | 1,099 |
| Total assets | 7,886 | 7,252 |
| Total debt | 4,639 | 4,633 |
| Total liabilities | 6,867 | 6,422 |
| Minority interest | 251 | 110 |
| Total shareowner's equity | 768 | 720 |

20. QUARTERLY INFORMATION (UNAUDITED) ...................................

| Quarters-Dollars in millions | FIRST | SECOND | THIRD | FOURTH |
|---|---|---|---|---|
| 1993 | | | | |
| Total revenues | $16,199 | $16,857 | $17,225 | $19,070 |
| Gross margin | 6,501 | 6,844 | 6,930 | 7,545 |
| Income before cumulative effects of accounting changes | 922 | 982 | 1,022 | 776** |
| Net income (loss) | (8,686)*** | 982 | 1,022 | 776 |
| Per common share: | | | | |
| Income before cumulative effects of accounting | | | | |

| | | | | |
|---|---|---|---|---|
| changes | .60 | .64 | .66 | .50 |
| Net income (loss) | (5.65) | .64 | .66 | .50 |
| Dividends declared | .33 | .33 | .33 | .33 |
| Stock price*: | | | | |
| High | 59 1/8 | 63 7/8 | 65 | 61 3/8 |
| Low | 50 1/8 | 53 3/4 | 57 3/8 | 52 |
| Quarter-end close | 56 3/4 | 63 | 58 7/8 | 52 1/2 |
| 1992 | | | | |
| Total revenues | $15,750 | $16,271 | $16,628 | $17,998 |
| Gross margin | 6,128 | 6,444 | 6,543 | 7,138 |
| Net income | 764 | 875 | 885 | 918 |
| Per common share: | | | | |
| Net Income | .51 | .58 | .58 | .60 |
| Dividends declared | .33 | .33 | .33 | .33 |
| Stock price*: | | | | |
| High | 41 3/8 | 44 5/8 | 45 3/8 | 53 1/8 |
| Low | 36 5/8 | 40 1/8 | 42 | 40 5/8 |
| Quarter-end close | 40 3/4 | 43 | 43 5/8 | 51 |

* Stock prices obtained from the Composite Tape.
** Includes a charge of $45 million previously reported as an extraordinary item for the early redemption of debt.
*** Reflects adoptions of Accounting Changes (see also note 2).

The number of weighted average shares outstanding increases as we issue new common shares for employee plans, shareowner plans and other purposes. For this reason, the sum of quarterly earnings per common share may not be the same as earnings per common share for the year, and the per share effects of unusual items in a quarter may differ from the per share effects of those same items for the year.



In the second quarter of 1993, we recorded $278 million in provisions for business restructuring activities. The effect of these provisions was offset by the $217 million gain from selling UNIX System Laboratories, Inc. and other miscellaneous credits. In the fourth quarter of 1993, we recorded a $190 million provision for business restructuring at AT&T Global Information Solutions, which reduced net income by $119 million ($0.08 per share).

21. PRIVATE MARKET VALUE GUARANTEE ......................................

We have entered in the Private Market Value Guarantee ("PMVG") with LIN for the benefit of LIN's stockholders (other than AT&T and its affiliates). The PMVG provides that for as long as AT&T and its affiliates beneficially own, in the aggregate, at least 25% of the outstanding shares of LIN Common Stock ("Shares") on a fully diluted basis or our designees constitute a majority of the board of directors of LIN, and any Shares are held by other persons, a number of provisions shall apply. They include:

a) Three members of LIN's board of directors will be independent directors ("directors") as determined under the New York Stock Exchange Rules. The initial directors are persons who served on LIN's board of directors prior to the completion by McCaw of its tender offer for LIN. New directors will be nominated by the current directors at each annual meeting and elected by a majority vote of the public stockholders. Majority vote of the public stockholders means the affirmative vote of the holders of at least a majority of the public shares present and entitled to vote at any meeting at which the holders of a majority of the public shares are present, or the action by written consent of the holders of a majority of the public shares.

b) On or about January 1, 1995 (the "Initiation Date"), the directors will designate an investment banking firm of recognized national standing and AT&T will designate an investment banking firm of recognized national standing, in each case to determine the private market value per Share. Private market value per Share is the private market price per Share that an unrelated third party would pay if it were to acquire all outstanding Shares in an arm's length transaction assuming that LIN was being sold in a manner designed to attract all possible participants and to maximize stockholder value.

Once the private market price is determined pursuant to the procedures provided for in the PMVG, AT&T will have 45 days to decide whether it desires to proceed with an acquisition of all of the public shares (an "Acquisition")at that price. If AT&T decides to proceed with the Acquisition, it may pay the private market price in cash or any combination of cash, common equity securities and/or nonconvertible senior or subordinated debt securities that the directors, after consultation with their investment banking firm, believe in good faith will have an aggregate market value, on a fully distributed basis, of not less than the private market price. If AT&T determines to proceed with an Acquisition as set forth above, it will enter into an agreement with LIN and will cause a meeting of stockholders of LIN to be held as soon as practicable to consider and vote thereon. The Acquisition may only be complete if it is approved by a majority vote of the public stockholders.

If AT&T determines not to proceed with an Acquisition, or if despite AT&T's good faith efforts and Acquisition has not been completed within 12 months following the Initiation Date (or if and Acquisition has been approved by a majority vote of the public stockholders and is being pursued in good faith by AT&T but has not been completed due to regulatory delays or litigation within 20 months of the Initiation Date), AT&T will put LIN in its entirety up for sale under direction of the directors in a manner intended by the directors to maximize value for all shares. AT&T will not





bid unless requested to do so by the directors. AT&T will fully cooperate in this process and, if one or more of the transactions so selected by the directors are approved by a majority vote of the public stockholders, will cause all shares owned by it or its affiliates to be voted in favor thereof.

22) SUBSEQUENT EVENTS ...................................................

REDEMPTION OF PREFERRED STOCK OF A SUBSIDIARY

On June, 24, 1994, LCH redeemed all of the outstanding Redeemable Preferred Stock of LCH held by Comcast Cellular Communications, Inc., a subsidiary of Comcast Corporation, in exchange for all of the capital stock of a subsidiary of LCH, whose assets consisted primarily of LIN's 49.99% interest in the Philadelphia "A Block" cellular system ("Philadelphia") and GuestInformant (a publisher of advertiser-supported hard cover magazines placed in hotel rooms).

As a result of the redemption, we eliminated our net assets related to Philadelphia and GuestInformant, recorded a gain on the sale of assets of $11.9 million and recorded a tax benefit of $73.6 million due to the transaction's impact on deferred taxes. There was also an increase in additional paid-in capital and minority interests of $407.6 million and $376.2 million respectively due to the preferred stock redemption.

DISTRIBUTION OF STOCK OF LIN TELEVISION CORPORATION.......................

On June 8, 1994, LIN Broadcasting Corporation announced that it intends to distribute the common stock of its indirect subsidiary, LIN Television Corporation, to its stockholders on a tax-free basis pursuant to Section 355 of the Internal Revenue Code of 1986. It also announced that it entered into an Asset Purchase Agreement ("APA") with Cook Inlet Communications Corp. ("CICC"), pursuant to which LIN Television would acquire substantially all the assets and assume certain liabilities of WYNH-TV from CICC in exchange for $120.2 million in cash subject to adjustments as set forth in the APA, and approximately 11.5% of the common stock of LIN Television.

As a result of the transaction, approximately 42.1% of LIN Televisions's shares will be publicly traded. Approximately 11.5% will be owned by CICC and approximately 46.4% will be owned by AT&T Corp. LIN Television intends to apply for listing of its shares on the Nasdaq National Market. The closing of the transaction is expected to occur by year-end. The record date for the distribution will be announced at a later date.



<TABLE>



<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

| COL. A | COL. B | COL. C | COL. D | | COL. E | |
|---|---|---|---|---|---|---|
| | | | Deductions | | Balance at End of Period | |
| Name of Debtor | Balance at Beginning of Period | Additions | (1) Amounts Collected | (2) Amounts Written Off | (1) Current | (2) Not Current |

- ---------------------------------------------------------------------------------------------------------------------------

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year 1993 | | | | | | | |
| <S> | | <C> | <C> | <C> | <C> | <C> | <C> |
| Thomas C. Wajnert | (a) | $200,000 | $ 0 | $ 0 | $ 0 | $ 50,000 | $ 150,000 |
| | (f) | 0 | 2,616,403 | 3,580 | | 0 | 2,612,823 |
| Richard A. McGinn | (b) | 300,000 | 305,590 | 605,590 | 0 | 0 | 0 |
| David K. Hunt | (c) | 0 | 1,200,000 | 350,000 | 0 | 0 | 850,000 |
| Ron J. Ponder | (d) | 0 | 550,800 | 0 | 0 | 200,800 | 350,000 |
| Daniel L. Clark | (e) | 0 | 340,000 | 0 | 0 | 113,333 | 226,667 |
| Edward Andrews | (f) | 0 | 714,418 | 4,506 | 0 | 0 | 709,912 |
| William Bridges | (f) | 0 | 168,527 | 266 | 0 | 0 | 168,261 |
| Sterling Chadwick | (f) | 0 | 690,577 | 3,780 | 0 | 0 | 686,797 |
| Frank Chartier | (f) | 0 | 457,226 | 3,125 | 0 | 0 | 454,101 |
| Edward Cherney | (f) | 0 | 1,094,723 | 1,870 | 0 | 0 | 1,092,853 |
| Nicholas Cyprus | (f) | 0 | 478,715 | 755 | 0 | 0 | 477,960 |
| Michael DeBernardi | (f) | 0 | 451,366 | 2,847 | 0 | 0 | 448,519 |
| George Deehan | (f) | 0 | 756,198 | 477 | 0 | 0 | 755,721 |
| Edward Dwyer | (f) | 0 | 478,715 | 755 | 0 | 0 | 477,960 |

<FN>

The Notes on Sheets 6 through 9 are an integral part of this schedule.

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<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

| COL. A | | COL. B | COL. C | COL. D | | COL. E | |
|---|---|---|---|---|---|---|---|
| Name of Debtor | | Balance at Beginning of Period | Additions | Deductions | | Balance at End of Period | |
| | | | | (1) Amounts Collected | (2) Amounts Written Off | (1) Current | (2) Not Current |
| Year 1993 | | | | | | | |
| <S> | | <C> | <C> | <C> | <C> | <C> | <C> |
| Geraldine Gold | (f) | $ 0 | $ 544,993 | $ 1,827 | $ 0 | $ 0 | $ 543,166 |
| Timothy Hammill | (f) | 0 | 645,898 | 1,068 | 0 | 0 | 644,830 |
| Ann Henry | (f) | 0 | 146,534 | 231 | 0 | 0 | 146,303 |
| Robert Ingato | (f) | 0 | 149,475 | 236 | 0 | 0 | 149,239 |
| Michelle Langstaff | (f) | 0 | 290,149 | 458 | 0 | 0 | 289,691 |
| Madelyn Law | (f) | 0 | 283,574 | 485 | 0 | 0 | 283,089 |
| G. Daniel McCarthy | (f) | 0 | 896,872 | 1,414 | 0 | 0 | 895,458 |
| Kenneth Miltenberger | (f) | 0 | 488,987 | 3,084 | 0 | 0 | 485,903 |
| Ruth Morey | (f) | 0 | 817,744 | 5,158 | 0 | 0 | 812,586 |
| Judith Pfister | (f) | 0 | 132,736 | 0 | 0 | 0 | 132,736 |
| Irving Rothman | (f) | 0 | 1,121,106 | 1,768 | 0 | 0 | 1,119,338 |
| Derek Soper | (f) | 0 | 871,665 | 6,029 | 0 | 0 | 865,636 |
| Maureen Tart | (f) | 0 | 896,871 | 1,414 | 0 | 0 | 895,457 |
| James Tenner | (f) | 0 | 642,481 | 366 | 0 | 0 | 642,115 |
| Charles Van Sickle | (f) | 0 | 989,212 | 5,415 | 0 | 0 | 983,797 |
| Charles Whittaker | (f) | 0 | 149,475 | 205 | 0 | 0 | 149,270 |
| Carolyn Zachary | (f) | 0 | 146,534 | 802 | 0 | 0 | 145,732 |
| William Zadrozny | (f) | 0 | 666,490 | 599 | 0 | 0 | 665,891 |

<FN>

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</TABLE>



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<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

| COL. A | COL. B | COL. C | COL. D | | COL. E | |
|---|---|---|---|---|---|---|
| Name of Debtor | Balance at Beginning of Period | Additions | Deductions | | Balance at End of Period | |
| | | | (1) Amounts Collected | (2) Amounts Written Off | (1) Current | (2) Not Current |
| Year 1993 | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Houston Cellular Telephone Company | $20,219,000 | $ 0 | $18,564,000 | $ 0 | $1,655,000(g) | $ 0 |
| American Mobile Satellite Company | 7,580,000 | 20,087,000 | 0 | 0 | 0 | 27,667,000(h) |
| Galveston Cellular Telephone Company | 1,238,000 | 0 | 0 | 0 | 1,238,000(g) | 0 |
| John Chapple | 449,000 | 0 | 0 | 0 | 449,000(i) | 0 |
| James Barksdale | 250,000 | 0 | 250,000 | 0 | 0 | 0 |
| Roseanne Jozwick | 141,000 | 0 | 117,000 | 0 | 24,000(m) | 0 |
| N. Bruce Walko | 108,000 | 0 | 0 | 27,000 | 13,000(j) | 68,000(j) |
| Jose Felipe | 120,000 | 0 | 0 | 40,000 | 40,000(k) | 40,000(k) |
| William Oberlink | 210,000 | 0 | 0 | 30,000 | 30,000(l) | 150,000(l) |
| Richard Bryan | 0 | 635,000 | 26,000 | 0 | 609,000(m) | 0 |
| Atlas Cellular Corporation | 0 | 4,000,000 | 0 | 0 | 0 | 4,000,000(o) |
| Louisiana-1 Joint Venture | 0 | 1,231,000 | 0 | 0 | 0 | 1,231,000(p) |
| ICTC, Inc. | 0 | 839,000 | 0 | 0 | 0 | 839,000(q) |
| John Stanton | 0 | 469,000 | 469,000 | 0 | 0 | 0 |
| Richard P. Begert | 0 | 215,000 | 215,000(m) | 0 | 0 | 0 |

<FN>

The Notes on Sheets 6 through 9 are an integral part of this schedule.

</TABLE>



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<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

| COL. A | | COL. B | COL. C | COL. D | | COL. E | |
|---|---|---|---|---|---|---|---|
| Name of Debtor | | Balance at Beginning of Period | Additions | Deductions | | Balance at End of Period | |
| | | | | (1) Amounts Collected | (2) Amounts Written Off | (1) Current | (2) Not Current |
| Year 1992 | | | | | | | |
| <S> | | <C> | <C> | <C> | <C> | <C> | <C> |
| Thomas C. Wajnert | (a) | $ 200,000 | $ 0 | $ 0 | $ 0 | $ 0 | $ 200,000 |
| Richard A. McGinn | (b) | 0 | 600,000 | 300,000 | 0 | 300,000 | 0 |
| Houston Cellular Telephone Company | | 17,407,000 | 2,812,000 | 0 | 0 | 0 | 20,219,000(g) |
| American Mobile Satellite Company | | 0 | 7,580,000 | 0 | 0 | 0 | 7,580,000(h) |
| Galveston Cellular | | 0 | 1,238,000 | 0 | 0 | 0 | 1,238,000(g) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Telephone Company | | | | | | |
| John Chapple | 449,000 | 0 | 0 | 0 | 449,000(i) | 0 |
| James Barksdale | 0 | 450,000 | 200,000 | 0 | 250,000(m) | 0 |
| Roseanne Jozwick | 0 | 141,000 | 0 | 0 | 141,000(m) | 0 |
| N. Bruce Walko | 0 | 108,000 | 0 | 0 | 108,000(j) | 0 |
| Jose Felipe | 0 | 120,000 | 0 | 0 | 40,000(k) | 80,000(k) |
| William Oberlink | 0 | 210,000 | 0 | 0 | 30,000(l) | 180,000(l) |
| John Stanton | 0 | 389,000 | 389,000 | 0 | 0 | 0 |

<FN>

The Notes on Sheets 6 through 9 are an integral part of this schedule.

</TABLE>



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<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

| COL. A | COL. B | COL. C | COL. D | | COL. E | |
|---|---|---|---|---|---|---|
| | | | Deductions | | Balance at End of Period | |
| Name of Debtor | Balance at Beginning of Period | Additions | (1) Amounts Collected | (2) Amounts Written Off | (1) Current | (2) Not Current |
| Year 1991 | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Thomas C. Wajnert (a) | $ 0 | $ 200,000 | $ 0 | $ 0 | $ 0 | $ 200,000 |
| Houston Cellular Telephone Company | 11,782,000 | 5,625,000 | 0 | 0 | 0 | 17,407,000(g) |
| John Chapple | 449,000 | 0 | 0 | 0 | 449,000 (i) | 0 |
| Craig McCaw | 135,000 | 1,272,000 | 1,414,000 | 0 | (7,000)(n) | 0 |
| John McCaw | 3,000 | 218,000 | 221,000 | 0 | 0 | 0 |

<FN>

The Notes on Sheets 6 through 9 are an integral part of this schedule.

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<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

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<S> <C>

(a) On September 20, 1991, AT&T granted a demand loan of $200,000 with interest compounded monthly to Thomas J. Wajnert, Chairman of the Board and Chief Executive Officer--AT&T Capital Corporation (a subsidiary of AT&T), as a result of a compensation negotiation between AT&T and Mr. Wajnert. The interest rate for any month in which there is an unpaid balance shall be the rate established by the Internal Revenue Service ("IRS"), under Section 1274(d) of the Internal Revenue Code, as the applicable Federal short-term interest rate in effect for such month (3.8% for December 1993, 4% for December 1992).

Mr. Wajnert made two interest payments on each of the following dates: 9/30/92 and 9/30/93. Principal payments of $50,000 each plus accumulated interest are due and payable on the following four dates: 9/30/94, 9/30/95, 9/30/96 and 9/30/97.

(b) On September 23, 1992, AT&T granted Richard A. McGinn, President and Chief Operating Officer--Network Systems Group, a $300,000 demand loan for a period of 150 days with interest compounded monthly at the interest rate established by the IRS, under Section 1274(d) of the Internal Revenue Code, as the applicable Federal short-term interest rate. This loan was paid in full in October 1992.

On December 7, 1992, AT&T granted Mr. McGinn a 150 day demand loan for $300,000 with interest compounded monthly based on the rate established by the IRS as the applicable Federal short-term interest rate (4% for December 1992). Full repayment of principal and interest was due and payable on 5/5/93.

On May 26, 1993, AT&T granted Mr. McGinn a demand loan in the amount of $305,590 with interest compounded monthly on the unpaid balance to satisfy the principal and interest on the December 7, 1992 loan. The interest rate for any month in which there was an unpaid balance was the rate established by the IRS, under Section 1274(d) of the Internal Revenue Code, as the applicable Federal short-term interest rate in effect for such month (3.8% for December 1993). Full repayment of principal and interest was made on 12/31/93.

</TABLE>



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<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

<FN>

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<S> <C>

(c) On May 7, 1993, AT&T granted a loan of $1,200,000 with an interest rate of 5.33% compounded monthly to David K. Hunt, President and Chief Executive Officer--Universal Card Services, to exercise stock options at his former employer, Signet Banking Corp. On 7/14/93, Mr. Hunt repaid $350,000 in principal and $12,074 in interest. He rolled over the balance of $850,000 into two new loans.

a) $701,000 effective 7/15/93 with interest compounded monthly on the unpaid balance. The loan was to exercise stock options at Signet Banking Corp. Payment on this loan consists of two installments. The first payment of $350,500 plus interest is due on 7/15/96. The second payment of $350,500 plus interest is due on 7/15/98. This loan is secured by 52,720 shares of Signet Banking Corp. common stock.

b) $149,000 effective 7/15/93 with interest compounded monthly on the unpaid balance. The loan was to pay taxes on the stock option exercise. Principle plus interest is due on 7/15/95.

The interest rate on these loans for any month in which there is an unpaid balance shall be the rate established by the IRS, under Section 1274(d) of the Internal Revenue Code, as the applicable Federal mid-term interest rate in effect for the month of July 1993 (5.4%).

(d) On July 1, 1993, AT&T granted an interest free loan of $200,800 to Ron J. Ponder, Senior Vice President AT&T and Chief

Information Officer, for monies owed to his former employer U.S. Sprint. Full repayment of the principle balance shall be due and payable on 6/30/94 (one year from the effective date of the loan).

On July 30, 1993, AT&T granted an interest free loan of $350,000 to Ron J. Ponder to purchase a home. Full repayment of the principle balance shall be due and payable on 7/30/98 (five years from the effective date of the loan).

</TABLE>



<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

<FN>

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<S> <C>

(e) On November 17, 1993, AT&T granted a loan of $340,000 plus interest compounded monthly to Daniel L. Clark, Vice President--Consumer Communications Services, for monies owed to his former employer MCI, Inc. ("MCI"). Mr. Clark was required to pay off his loan from MCI prior to working for AT&T. Payments of $113,333.33 plus accumulated interest are due on the following dates: 11/1/94, 11/1/95 and 11/1/96. The interest rate for any month in which there is an unpaid balance shall be the rate established by the IRS, under Section 1274(d) of the Internal Revenue Code, as the applicable Federal mid-term interest rate in effect for the month of November 1993 (4.8%).

(f) The loans, made by AT&T Capital Corporation to its managers, represent seven year full recourse loans bearing interest at a rate of 6% per annum payable at maturity, except to the extent mandatory payments of interest are required by the AT&T Capital Corporation 1993 Leveraged Stock Purchase Plan ("LSPP"). The loans were made to participants in the AT&T Capital Corporation LSPP to fund a significant portion of the purchase price of equity securities of AT&T Capital Corporation. The purchased shares are pledged to AT&T Capital Corporation to secure repayment of the loan.

(g) Loans bear interest at Prime + 1%, are collateralized by cellular system equipment and are due June of 1994.

(h) Loan bears interest through December 31, 1992 at 12%; 10% thereafter. Amount was repaid in full subsequent to December 31, 1993.

(i) December 31, 1993, 1992, and 1991 balances are comprised of two notes. Note for $84,000 is unsecured, non-interest bearing and due upon demand. Note for $365,000 is unsecured, non-interest bearing and due within 90 days of voluntary termination of employment or within one year of involuntary termination of employment.

(j) Loan is secured, non-interest bearing and will be repaid in equal monthly payments over a two year period beginning September of 1994.

(k) Note is unsecured, non-interest bearing and is forgiven in equal amounts over a three year period.

</TABLE>



<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER

THAN RELATED PARTIES

<FN>

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<S> <C>

(l) Note is unsecured, non-interest bearing and is forgiven in equal amounts over a seven year period.

(m) Represents employee advances to facilitate moves to their current locations. Amounts have been repaid in full during 1993 and 1994.

(n) Represents activity of Craig McCaw and his wholly owned company, COMCO Broadcasting, Inc. The loans bear interest at 10% per annum.

(o) Loan bears interest at Prime + 1 1/2% and is secured. Loan will be repaid in quarterly installments beginning in September 1996 and is due in full in August 1998.

(p) Loan bears interest at Prime + 1 1/2% and is secured by the assets of the borrower. Loan will be repaid in quarterly installments beginning in June 1996 and is due in full in June 2001.

(q) Loan bears interest at Prime + 2 1/2%, is secured by the assets of the borrower, and is due in full in December 1996.

</TABLE>



<TABLE>


Schedule V--Sheet 1

<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE V--PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)

| COL. A | COL. B | COL. C | COL. D | COL. E | COL. F |
|---|---|---|---|---|---|
| Classification | Balance at Beginning of Period | Additions at Cost (a) | Retire-ments | Other Changes Add(Deduct)(b) | Balance at End of Period |
| Year 1993 | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Land and improvements .................... | $ 700 | $ 11 | $ 12 | $ 58 | $ 757 |
| Buildings and improvements ............... | 8,330 | 478 | 198 | (2) | 8,608 |
| Machinery, electronic and other equipment .............................. | 32,954 | 4,067(c) | 2,578(d) | (513) | 33,930 |
| Total (e) .............................. | $41,984 | $4,556 | $2,788 | $(457) | $43,295 |

<FN>
The Notes on Sheet 4 are an integral part of this Schedule.

</TABLE>



<TABLE>

Schedule V--Sheet 2

<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE V--PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)

| COL. A | COL. B | COL. C | COL. D | COL. E | COL. F |
|---|---|---|---|---|---|
| Classification | Balance at Beginning of Period | Additions at Cost (a) | Retire- ments | Other Changes Add(Deduct)(b) | Balance at End of Period |
| Year 1992 | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Land and improvements .................... | $ 694 | $ 23 | $ 8 | $ (9) | $ 700 |
| Buildings and improvements ............... | 8,301 | 422 | 90 | (303) | 8,330 |
| Machinery, electronic and other equipment .............................. | 32,431 | 4,222(c) | 3,454(d) | (245) | 32,954 |
| Total (e) .............................. | $41,426 | $4,667 | $3,552 | $(557) | $41,984 |

<FN>
The Notes on Sheet 4 are an integral part of this Schedule.

</TABLE>



<TABLE>


Schedule V--Sheet 3

<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE V--PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)

| COL. A | COL. B | COL. C | COL. D | COL. E | COL. F |
|---|---|---|---|---|---|
| Classification | Balance at Beginning of Period | Additions at Cost (a) | Retire- ments | Other Changes Add(Deduct)(b) | Balance at End of Period |
| Year 1991 | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Land and improvements .................... | $ 662 | $ 6 | $ 2 | $ 28 | $ 694 |
| Buildings and improvements ............... | 8,378 | 365 | 189 | (253) | 8,301 |
| Machinery, electronic and other equipment .............................. | 33,494 | 4,238(c) | 5,001(d) | (300) | 32,431 |

| | | | | | |
|---|---|---|---|---|---|
| Total (e) .............................. | $42,534 | $4,609 | $5,192 | $(525) | $41,426 |
| | ======= | ====== | ====== | ===== | ======= |

<FN>
The Notes on Sheet 4 are an integral part of this Schedule.

</TABLE>



Schedule V--Sheet 4

AT&T Corp.

AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE V--PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)

(a) The additions shown in column C are stated at original cost plus capitalized interest.

(b) Includes changes in lease classification, reclassifications between accounts, currency translation adjustments and, in 1993, relating to the consolidation of the $137 USG investment, and in 1993, ($84) relating to McCaw sale of Wichita/Topeka and CMT contribution, in 1992, $57 relating to the merger with Teradata, and in 1991 ($28) relating to the McCaw sale to BellSouth.

(c) Represents purchases of machinery and equipment, principally telephone plant.

(d) Includes retirements of telecommunications network plant of approximately $1,400, $2,000 and $3,100 in 1993, 1992 and 1991, respectively.

(e) See Note (1) to the Consolidated Financial Statements for a description of depreciation policies.


<TABLE>


Schedule VI--Sheet 1

<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION

(Millions of Dollars)

| COL. A | COL. B | COL. C | COL. D | COL. E | COL. F |
|---|---|---|---|---|---|
| | Balance at Beginning | Additions Charged to Costs and | Retire- | Other Changes | Balance at End of |

| Description | of Period | Expenses | ments | Add(Deduct)(a) | Period |
|---|---|---|---|---|---|
| Year 1993 | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Land improvements ........................ | $ 97 | $ 8 | $ 7 | $ 8 | $ 106 |
| Buildings and improvements ............... | 3,020 | 323 | 81 | 40 | 3,302 |
| Machinery, electronic and other equipment .............................. | 18,069 | 3,644 | 2,506 | (335) | 18,872 |
| Total .................................. | $21,186 | $3,975 (b) | $2,594 | $(287)(c) | $22,280 |
| Year 1992 | | | | | |
| Land improvements ........................ | $ 128 | $ 6 | $ -- | $ (37) | $ 97 |
| Buildings and improvements ............... | 2,256 | 275 | 113 | 602 | 3,020 |
| Machinery, electronic and other equipment .............................. | 19,155 | 3,439 | 3,372 | (1,153) | 18,069 |
| Total .................................. | $21,539 | $3,720 | $3,485 | $ (588)(c) | $21,186 |

<FN>
The Notes on Sheet 2 are an integral part of this Schedule.

/TABLE



<TABLE>


<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION

(Millions of Dollars)

| COL. A | COL. B | COL. C | COL. D | COL. E | COL. F |
|---|---|---|---|---|---|
| Description | Balance at Beginning of Period | Additions Charged to Costs and Expenses | Retire-ments | Other Changes Add(Deduct)(a) | Balance at End of Period |
| Year 1991 | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Land improvements ........................ | $ 121 | $ 5 | $ -- | $ 2 | $ 128 |
| Buildings and improvements ............... | 2,928 | 363 | 178 | (857) | 2,256 |
| Machinery, electronic and other equipment .............................. | 19,948 | 3,620 | 4,779 | 366 | 19,155 |
| Total .................................. | $22,997 | $3,988 | $4,957 | $ (489)(c) | $21,539 |

<FN>

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(a) Includes changes in lease classification, reclassifications between accounts, and currency translation adjustments.

(b) Includes $124 McCaw valuation adjustment.

(c) Includes $(67) in 1993, $(232) in 1992 and $(193) in 1991 for the utilization of reserves established in 1988 for costs associated with the accelerated digitization of AT&T's telecommunications network.

</TABLE>



<TABLE>

Schedule VIII--Sheet 1

<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE VIII--VALUATION AND QUALIFYING ACCOUNTS

(Millions of Dollars)

| COL. A | COL. B | COL. C | | COL. D | COL. E |
|---|---|---|---|---|---|
| | | Additions | | | |
| Description | Balance at Beginning of Period | (1) Charged to Costs and Expenses | (2) Charged to Other Accounts | Deductions(a) | Balance at End of Period |
| Year 1993 | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Allowances for doubtful accounts (b) ..... | $1,013 | $1,665 | $66(c) | $1,519 | $1,225 |
| Reserves related to business restructuring and facility consolidation (d) ...................... | $2,006 | $ 416 | $ 5 | $ 987(e) | $1,440 |
| Deferred tax asset valuation allowance ... | $ 205 | $ -- | $-- | $ -- | $ 205 |
| Year 1992 | | | | | |
| Allowances for doubtful accounts (b) ..... | $1,049 | $1,983 | $31(c) | $2,050 | $1,013 |
| Reserves related to business restructuring, including force and facility consolidation (d) ......... | $2,792 | $ 64 | $ 8 | $ 858 | $2,006 |

<FN>
The Notes on Sheet 2 are an integral part of this Schedule.

</TABLE>



<TABLE>


Schedule VIII--Sheet 2

<CAPTION>

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE VIII--VALUATION AND QUALIFYING ACCOUNTS

(Millions of Dollars)

| COL. A | COL. B | COL. C | | COL. D | COL. E |
|---|---|---|---|---|---|
| | | Additions | | | |
| Description | Balance at Beginning of Period | (1) Charged to Costs and Expenses | (2) Charged to Other Accounts | Deductions(a) | Balance at End of Period |
| Year 1991 | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Allowances for doubtful accounts (b) ..... | $ 614 | $1,259 | $ 7(c) | $ 831 | $1,049 |
| Reserves related to business restructuring, including force and facility consolidation (d) ......... | $ 536 | $3,067 | $-- | $ 811 | $2,792 |

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(a) Amounts written off as uncollectible, payments and reversals.
(b) Includes allowances for doubtful accounts on long-term receivables of $185, $153 and $88 in 1993, 1992 and 1991, respectively (included in Finance receivables in the Consolidated Balance Sheets).
(c) Amounts previously written off which were credited directly to this account when recovered.
(d) Included primarily in Other current liabilities and in Other liabilities in the Consolidated Balance Sheets.
(e) Upon adoption in 1993 of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," $412 of business restructuring reserves established before 1993 were reclassified to postemployment benefit liabilities.

</TABLE>



AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE IX--DEBT MATURING WITHIN ONE YEAR

(Millions of Dollars)

| COL. A | COL. B | | | COL. C | | |
|---|---|---|---|---|---|---|
| | Amount at December 31 | | | Weighted Average Interest Rate | | |
| | 1993 | 1992 | 1991 | 1993 | 1992 | 1991 |
| Notes Payable: | | | | | | |
| Commercial paper ... | $ 8,761 | $6,053 | $4,775 | 3.3% | 3.8% | 6.0% |
| Other notes ........ | 231 | 281 | 384 | 10.0% | 10.9% | 10.6% |
| Current portion of long-term lease obligations ........ | 52 | 108 | 92 | | | |
| Current portion of long-term debt ..... | 2,019 | 1,249 | 1,850 | | | |
| Total(a) .... | $11,063 | $7,691 | $7,101 | | | |

| | Amount for the Year 1993 | 1992 | 1991 | | | |
|---|---|---|---|---|---|---|
| Average amounts of Notes Payable outstanding during the year ........... | $8,010 | $5,117 | $4,299 | 3.7%(b) | 4.4%(b) | 6.8%(b) |
| Maximum amounts of Notes Payable at any month end during the year .... | $9,959 | $6,334 | $5,159 | | | |

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(a) See Note (5) to the Consolidated Financial Statements.
(b) Computed by dividing the average face amount of notes payable into the aggregate related interest expense.

AT&T Corp.
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE X--SUPPLEMENTARY INCOME STATEMENT INFORMATION

(Millions of Dollars)

| COL. A | COL. B | | |
|---|---|---|---|
| Item | Charged to Costs and Expenses | | |
| | 1993 | 1992 | 1991 |
| Maintenance and repairs .................... | $2,205 | $2,177 | $1,852 |
| Taxes, other than payroll and income taxes . | $ 681 | $ 722 | $ 726 |
| Advertising ................................ | $1,726 | $1,322 | $1,286 |



Item 7. Financial Statements and Exhibits.

(c) Exhibits.

| Exhibit Number | |
|---|---|
| 12 | Computation of Ratio of Earnings to Fixed Charges. |
| 23 | Consent of Coopers & Lybrand L.L.P. |



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AT&T Corp.

By: S.L. Prendergast
Vice President and Treasurer

December 23, 1994



EXHIBIT INDEX

| Exhibit Number | |
|---|---|
| 12 | Computation of Ratio of Earnings to Fixed Charges. |
| 23 | Consent of Coopers & Lybrand L.L.P. |

Exhibit (12)

AT&T CORP.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in Millions)
(Unaudited)

| | For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 1993 | 1992 | 1991 | 1990 | 1989 |
| Earnings Before Income Taxes | $6,003 | $5,638 | $ 581 | $5,565 | $4,444 |
| Less Interest Capitalized During the Period | 72 | 62 | 79 | 79 | 89 |
| Less Undistributed Earnings of Less Than 50% Owned Affiliates | (39) | (27) | 32 | 26 | 38 |
| Add Fixed Charges | 1,940 | 2,127 | 2,371 | 2,371 | 1,652 |
| Total Earnings | $7,910 | $7,730 | $2,841 | $7,831 | $5,969 |
| Fixed Charges | | | | | |
| Total Interest Expense Including Capitalized Interest | $1,575 | $1,737 | $1,872 | $1,764 | $1,242 |
| Interest Portion of Rental Expenses | 365 | 390 | 499 | 607 | 410 |
| Total Fixed Charges | $1,940 | $2,127 | $2,371 | $2,371 | $1,652 |
| Ratio of Earnings to Fixed Charges | 4.1 | 3.6 | 1.2 | 3.3 | 3.6 |

# CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the registration statements of AT&T Corp. ("AT&T" or the "Company") on Form S-3 for the Shareowner Dividend Reinvestment and Stock Purchase Plan (Registration Nos. 33-56249 and 33-49093), Form S-8 for the AT&T 1984 Stock Option Plan (Registration No. 2-90983), Form S-8 for the AT&T Long Term Savings and Security Plan (Registration Nos. 33-34265 and 33-31362), Form S-8 for the AT&T Long Term Savings Plan for Management Employees (Registration Nos. 33-34264, 33-29256, 33-21937 and 33-14373), Form S-8 for the AT&T Retirement Savings and Profit Sharing Plan (Registration No. 33-39708), Form S-8 for Shares Issuable Under the Stock Option Plan of the AT&T 1987 Long Term Incentive Program (Registration Nos. 33-56643 and 33-20276), Form S-8 for the Shares for Growth Program (Registration No. 33-49089), Form S-4 for the Consent Solicitation Statement/Prospectus (Registration No. 33-52119), Form S-8 for the AT&T Global Information Solutions Company Savings Plan (Registration Nos. 33-42917 and 33-53765), Form S-8 for the 1994 Employee Stock Purchase Plan for AT&T Global Information Solutions Company (Registration No. 33-54281), Form S-8 for the AT&T Capital Corporation Retirement and Savings Plan (Registration No. 33-50821), Form S-8 for the AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees (Registration No. 33-50819), Form S-8 for the AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan (Registration No. 33-50817), Form S-8 for the AGCS Hourly Savings Plan (Registration No. 33-50829), Form S-8 for the AT&T Corp. 1995 AT&T Employee Stock Purchase Plan (Registration No. 33-54797), Form S-3 for the AT&T $2,600,000,000 Notes and Warrants to Purchase Notes (Registration No. 33-49589), the Post-Effective Amendment Nos. 1, 2 and 3 on Form S-8 to Form S-4 Registration Statement (Registration No. 33-42150) for the NCR Corporation 1989 Stock Compensation Plan (Registration No. 33-42150-01), the NCR Corporation 1984 Stock Option Plan (Registration No. 33-42150-02) and the NCR Corporation 1976 Stock Option Plan (Registration No. 33-42150-03), respectively, the Post-Effective Amendment No. 1 on Form S-8 to Form S-4 Registration Statement (Registration No. 33-45302) for the Teradata Corporation 1987 Incentive and Other Stock Option Plan (Registration No. 33-45302-01), and the Post-Effective Amendments Nos. 1, 2, 3, 4 and 5 on Form S-8 to Form S-4 Registration Statement (Registration No. 33-52119) for the McCaw Cellular Communications, Inc. 1983 Non-Qualified Stock Option Plan (Registration No. 33-52119-01), the McCaw Cellular Communications, Inc. 1987 Stock Option Plan (Registration No. 33-52119-02), the McCaw Cellular Communications, Inc. Equity Purchase Program (Registration No. 33-52119-03), the McCaw Cellular Communications, Inc. 1992 Stock Option Plan for Non-Employee Directors (Registration No. 33-52119-04), and the McCaw Cellular Communications, Inc. Employee Stock Purchase Plan (Registration No. 33-52119-05), respectively, of our report, which includes an explanatory paragraph regarding the change in 1993 in methods of accounting for postretirement benefits, postemployment benefits and income taxes, dated January 27, 1994, except as to Notes 4, 21 and 22 for which the date is September 19, 1994, on our audits of the consolidated financial statements and consolidated financial statement schedules of the Company and its subsidiaries at December 31, 1993 and 1992, and for the years ended December 31, 1993, 1992 and 1991, which report is included in this Current Report on Form 8-K/A.

COOPERS & LYBRAND L.L.P.

1301 Avenue of the Americas
New York, New York
December 23, 1994