

Stuart

# THE DEPOSITORY TRUST COMPANY

## Memorandum

DATE: September 7, 1983

SUBJECT: AT&T Divestiture - Technical Considerations at DTC

The following is intended as an interim progress report on the various technical aspects of the divestiture presently being addressed at DTC.

### Cash in lieu of Fractional Shares

AT&T will accept fractional share instructions until January 6, 1984. DTC will accommodate its Participants similarly through the close of business January 5, 1984, allowing overnight processing at DTC and the forwarding of instructions to AT&T on January 6th. DTC will make available to its Participants a unique instruction form for input to DTC prior to the cut off date.

### Collateral Loans

Due to the fact that the market value of AT&T shares will be substantially reduced on the due bill settlement date, DTC has developed a one time program which will allocate shares in the divested companies to pledgee bank accounts.

### CUSIP

AT&T has arranged for a temporary cusip number for trading purposes in "new" AT&T shares. On due bill redemption date DTC will "blend" pending trades carrying the temporary cusip number into the "old", prevailing cusip number.

### Dividend Reinvestment

AT&T will continue to offer its dividend reinvestment service and the seven new regional holding companies will offer somewhat identical services. DTC will accommodate its Participants for all eight issues.

### FAST

In addition to AT&T shares the shares of all seven regional holding companies will be included in the FAST WT program. Discussions are ongoing between DTC & American Transtech (Processing Agent for AT&T and the seven RHCs) regarding the possibility of all eight issues being included in a full FAST program i.e., COD and WT.

### ID System

"When-issued" transactions in "new" AT&T and the 7 RHC's will be accepted and processed by DTC's I.D. system. DTC is presently conducting a series of meetings with user committee groups to determine procedural methods which will be universally satisfactory to the broad range of ID system users.

### Interim Accounting

DTC will provide book entry record keeping and tracking of purchase and sale transactions which carry due bills through what it is known to its Participants as the "interim accounting" system. This system eliminates the issuance and need for ultimate redemption of paper due bills. It also provides for automatic allocation to Participant accounts of shares in the divested companies on the due bill redemption date.

### Other Depositories

At a meeting in Chicago on August 31, 1983 MSTC, PSDTC, PHILADEP and DTC mutually agreed on all technical processing considerations with each other. It is anticipated that all depositories will offer their full range of book entry services including interface activities i.e., ID, Third Party deliveries, RID Settlement.

### PDQ Processing

On the evening prior to the when-issued settlement date DTC will make Participant pending positions in the seven RHCs available for delivery. In order to facilitate and allow CNS processing to occur as per present day procedures this is a one time programming effort at DTC, since normally the required positions are allocated on the morning of settlement date and would not be available for overnight PDQ processing.

### Physical Certificate Processing

Based on industry comments DTC anticipates some increase in withdrawal activities (COD and WT) and a major increase in deposit activity. DTC encourages deposits of AT&T stock prior to the record date and points out several advantages and incentives to deposit in a memorandum to Participants and other Users dated August 18, 1983. At the present time there is no curtailment of physical services under consideration by DTC. We urge extreme caution however as the December 30th record date approaches in that bulk deposits and/or concentrated deposits on or shortly prior to the record date should be avoided to the extent possible in light of potential record keeping and entitlement problems that would result from deposit rejects.

The foregoing represents technical planning at DTC in response to inquiries from Participants and other parties as well as the insight of an internal task force which has been assembled at DTC. As future inquiries and/or considerations come to light DTC will periodically issue updated technical papers. Questions on the foregoing may be directed to Frank Petrillo, Vice President, DTC (212) 709-1200.