

AT&T INC.
Form DEF 14A
March 11, 2008

Use these links to rapidly review the document

[PROXY STATEMENT](#)

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

AT&T Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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

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

Edgar Filing: AT&T INC. - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting to Be Held on April 25, 2008**

**The proxy statement and annual report to security holders are
available at www.investorvote.com/att.**

**Notice of
Annual Meeting of Stockholders**

The 2008 Annual Meeting of Stockholders of AT&T Inc., a Delaware corporation, will be held at 9:00 a.m. Central time on Friday, April 25, 2008, at the Alzafar Shrine Temple, 901 North Loop 1604 West, San Antonio, Texas. The items of business are:

Election of 14 Directors

Ratification of the appointment of Ernst & Young LLP as independent auditors of AT&T Inc. for 2008

Such other matters, including certain stockholder proposals, as may properly come before the meeting.

Holders of AT&T Inc. common stock of record at the close of business on February 27, 2008, are entitled to vote at the meeting and any adjournment of the meeting.

By Order of the Board of Directors.

Ann Effinger Meuleman
Senior Vice President and
Secretary
March 11, 2008

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

PROXY STATEMENT

	<u>Page</u>
<u>Board of Directors</u>	3
<u>Board Committees</u>	4
<u>Independence of Directors</u>	5
<u>Compensation of Directors</u>	7
<u>Director Compensation Table</u>	9
<u>Related Person Transactions</u>	10
<u>Common Stock Ownership</u>	12
<u>Matters To Be Voted Upon</u>	13
<u>Election of Directors</u>	14
<u>Ratification of the Appointment of Ernst & Young LLP as Independent Auditors</u>	19
<u>Stockholder Proposals</u>	19
<u>Audit Committee</u>	30
<u>Report of the Audit Committee</u>	30
<u>Principal Accountant Fees and Services</u>	31
<u>Compensation Discussion and Analysis</u>	32
<u>2007 Compensation</u>	36
<u>Stock Ownership Guidelines</u>	44
<u>Limit on Deductibility of Certain Compensation</u>	44
<u>Policy on Restitution</u>	44
<u>Employment Contracts and Change in Control Severance Plan</u>	45
<u>Compensation Committee Report</u>	45
<u>Compensation Tables</u>	46
<u>Summary Compensation Table</u>	46
<u>Grants of Plan-Based Awards Table</u>	49
<u>Employment Contracts for Certain Executives</u>	50
<u>Outstanding Equity Awards at December 31, 2007 Table</u>	53
<u>Option Exercises and Stock Vested Table During 2007</u>	58
<u>Pension Benefits Table</u>	59
<u>Pension Benefits and Other Post Employment Compensation</u>	60
<u>Nonqualified Deferred Compensation Table</u>	64
<u>Potential Payments upon Termination or Change in Control</u>	67
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	69
<u>Other Business</u>	70

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of AT&T Inc. ("AT&T," the "Company," or "we") for use at the 2008 Annual Meeting of Stockholders of AT&T. The meeting will be held:

9:00 a.m. Central time
Friday, April 25, 2008
Alzafar Shrine Temple
901 North Loop 1604 West
San Antonio, Texas

The purposes of the meeting are set forth in the Notice of Annual Meeting of Stockholders (preceding the table of contents). This Proxy Statement and form of proxy are being sent beginning March 11, 2008, to certain stockholders who were record holders of AT&T's common stock, \$1.00 par value per share, at the close of business on February 27, 2008. These materials are also available at www.investorvote.com/att. Each share entitles the registered holder to one vote. As of January 31, 2008, there were 6,035,725,446 shares of AT&T common stock outstanding.

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

Instead of submitting a signed proxy card, stockholders may submit their proxies by telephone or through the Internet. Telephone and Internet proxies must be used in conjunction with, and will be subject to, the information and terms contained on the form of proxy. Similar procedures may also be available to stockholders who hold their shares through a broker, nominee, fiduciary or other custodian.

The proxy card, or a proxy submitted by telephone or through the Internet, will also serve as voting instructions to the plan administrator or trustee for any shares held on behalf of a participant under any of the following employee benefit plans: the AT&T Savings Plan, the AT&T Savings and Security Plan, the AT&T Long Term Savings Plan for Management Employees, the AT&T Long Term Savings and Security Plan, the AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees, the AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan, the AT&T Employee Stock Ownership Plan, the Cingular Wireless 401(k) Savings Plan, the BellSouth Savings and Security Plan and the AT&T Retirement Savings Plan. Shares in each of the above employee benefit plans for which voting instructions are not received, subject to the trustees' fiduciary obligations, will be voted by the trustees in the same proportion as the shares for which voting instructions are received from other participants in each plan. To allow sufficient time for voting by the trustees and/or administrators of the plans, your voting instructions must be received by April 22, 2008.

Edgar Filing: AT&T INC. - Form DEF 14A

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

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

No more than one annual report and Proxy Statement are being sent to multiple stockholders sharing an address, unless AT&T has received contrary instructions from one or more of the stockholders at that address. Stockholders may request a separate copy of the most recent annual report and/or the Proxy Statement by writing the transfer agent at: Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078, or by calling (800) 351-7221. Stockholders calling from outside the United States may call (781) 575-4729. Requests will be responded to promptly. Stockholders sharing an address who desire to receive multiple copies, or who wish to receive only a single copy, of the annual report and/or the Proxy Statement may write or call the transfer agent at the above address or phone numbers to request a change.

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

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

The cost of soliciting proxies will be borne by AT&T. Officers, agents and employees of AT&T and its subsidiaries and other solicitors retained by AT&T may, by letter, by telephone or in person, make additional requests for the return of proxies and may receive proxies on behalf of AT&T. Brokers, nominees, fiduciaries and other custodians will be requested to forward soliciting material to the beneficial owners of shares and will be reimbursed for their expenses. AT&T has retained D. F. King & Co., Inc. to aid in the solicitation of proxies at a fee of \$17,000, plus expenses.

Stockholders who together represent 40% of the common stock outstanding and are entitled to vote must be present or represented by proxy in order to constitute a quorum to conduct business at the meeting.

If you plan to attend the meeting in person, please bring the admission ticket (which is attached to the proxy card or the Annual Meeting Notice and Admission Ticket) to the Annual Meeting. If you do not have an admission ticket, you will be admitted upon presentation of photo identification at the door.

AT&T's executive offices are located at Whitacre Tower, 175 E. Houston, San Antonio, Texas 78205.

BOARD OF DIRECTORS

The Board of Directors is responsible for our management and direction and for establishing broad corporate policies. In addition, the Board of Directors and various committees of the Board regularly meet to receive and discuss operating and financial reports presented by the Chairman of the Board and Chief Executive Officer and other members of management as well as reports by experts and other advisors. Corporate review sessions are also offered to Directors to help familiarize them with our businesses, technology, and operations. Members of the Board are encouraged to attend Board meetings in person, unless the meeting is held by teleconference. The Board held eight meetings in 2007. All of the Directors attended at least 75% of the total number of meetings of the Board and Committees on which each served. Directors are also expected to attend the Annual Meeting of Stockholders. All of the Directors were present at the 2007 Annual Meeting.

At least four times a year, the non-management members of the Board of Directors meet in executive session, *i.e.*, without management Directors or management personnel present. The Lead Director, who is appointed for a two year term, presides over these meetings. Gilbert F. Amelio currently serves as Lead Director; his term is scheduled to expire February 1, 2010. Responsibilities of the Lead Director include:

Preparing the agenda for the executive session with the non-management Directors;

Presiding over each session of the non-management Directors;

Acting as the principal liaison between the non-management Directors and the Chairman and Chief Executive Officer and coordinating the activities of the non-management Directors when acting as a group; and

Advising the Chairman and Chief Executive Officer as to the quality, quantity and timeliness of the flow of information from management.

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

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

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

understanding of our business, and

educational and professional background.

Edgar Filing: AT&T INC. - Form DEF 14A

The Committee also gives consideration to a candidate's judgment, competence, anticipated participation in Board activities, experience, geographic location and special talents or personal attributes. Stockholders who wish to suggest qualified candidates should write to the Senior Vice President and Secretary, AT&T Inc., Whitacre Tower, 175 E. Houston, San Antonio, Texas 78205, stating in detail the qualifications of the persons proposed for consideration by the Committee.

Under our Bylaws, the Board of Directors has the authority to determine the size of the Board and to fill vacancies. Currently, the Board is comprised of 16 Directors, one of whom is an executive officer of AT&T. We have included biographical information about each continuing Director on pages 14-18. Holdings of AT&T common stock by AT&T Directors are shown on the table on page 12.

The Board of Directors has nominated the 14 persons listed in this Proxy Statement, beginning on page 14, for election as Directors. Each of the nominees is an incumbent Director of AT&T recommended for re-election by the Corporate Governance and Nominating Committee. Under AT&T's Corporate Governance Guidelines, a Director will not be nominated for re-election if the Director has reached age 72. Accordingly, Charles F. Knight and Toni Rembe will not be standing for re-election at the 2008 Annual Meeting, and the Board has voted to reduce its size to 14 Directors effective immediately before the meeting. There are no vacancies on the Board.

Board Committees

From time to time the Board establishes permanent standing committees and temporary special committees to assist the Board in carrying out its responsibilities. The Board has established seven standing committees of Directors, the principal responsibilities of which are described below. The charters for each of these committees may be found on our web site at www.att.com. The biographical information included later in this Proxy Statement identifies committee memberships held by each Director.

Audit Committee--The Committee met 12 times in 2007. It consists of four independent Directors. The Audit Committee oversees the integrity of our financial statements, the independent auditor's qualifications and independence, the performance of the internal audit function and independent auditors, and our compliance with legal and regulatory matters. The Committee is responsible for the appointment, compensation, retention and oversight of the work of the independent auditor. The independent auditor audits the financial statements of AT&T and its subsidiaries.

Corporate Development Committee--The Committee met five times in 2007. It consists of six independent Directors. The Committee reviews mergers, acquisitions, dispositions and similar transactions.

Corporate Governance and Nominating Committee--The Committee met five times in 2007. It consists of five independent Directors. The Committee is responsible for recommending candidates to be nominated by the Board for election by the stockholders, or to be appointed by the Board of Directors to fill vacancies, consistent with the criteria approved by the Board, and recommending committee assignments and the appointment of the Lead Director. In addition, the Committee periodically assesses AT&T's Corporate Governance Guidelines and makes

recommendations to the Board for amendments and also recommends to the Board the compensation of Directors. Finally, the Committee takes a leadership role in shaping corporate governance and oversees an annual evaluation of the Board.

Executive Committee--The Committee did not meet in 2007. It consists of the chairpersons of our six other standing committees and the Chairman of the Board. The Committee assists the Board by acting upon matters when the Board is not in session. The Committee has the full power and authority of the Board to the extent permitted by law, including the power and authority to declare a dividend or to authorize the issuance of common stock.

Finance/Pension Committee--The Committee met five times in 2007. It consists of five independent Directors. The Committee assists the Board in its oversight of our finances, including recommending the payment of dividends and reviewing the management of our debt and investment of our cash reserves.

Human Resources Committee--The Committee met six times in 2007. It consists of four independent Directors. The Committee oversees the management of human resources activities of AT&T, including the design of employee benefit plans. The Committee is also responsible for establishing the compensation of the Chief Executive Officer and other officers, as determined by the Committee.

Public Policy and Environmental Affairs Committee--The Committee met three times in 2007. It consists of six independent Directors. The Committee assists the Board in its oversight of corporate policies, including legislative and environmental matters.

Independence of Directors

The New York Stock Exchange ("NYSE") prescribes independence standards for companies listed on the NYSE, including us. These standards require a majority of the Board to be independent. They also require every member of the Audit Committee, Human Resources Committee, and Corporate Governance and Nominating Committee to be independent. A Director is considered independent only if the Board of Directors "affirmatively determines that the Director has no material relationship with the listed company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company)." In addition, the Board of Directors has adopted certain additional standards for determining the independence of its members. In accordance with the NYSE standards, a Director is not independent if:

The Director is, or has been within the last three years, an employee of AT&T, or an immediate family member is, or has been within the last three years, an executive officer of AT&T;

The Director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than \$100,000 in direct compensation from AT&T, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided the compensation is not contingent in any way on continued service);

Edgar Filing: AT&T INC. - Form DEF 14A

(a) The Director or an immediate family member is a current partner of a firm that is our internal or external auditor; (b) the Director is a current employee of such a firm; (c) the Director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (d) The Director or an immediate family member was within the last three years (but is no longer) a partner or an employee of such a firm and personally worked on our audit within that time period;

The Director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of our present executive officers at the same time serves or served on that company's compensation committee; or

The Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, us for property or services in an amount which, in any of the last three fiscal years, is more than the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

Additional standards for determining independence of Directors have been established by our Board and are set forth in our Corporate Governance Guidelines, which can be found on our web site at www.att.com. These additional standards are:

A Director who owns, together with any ownership interests held by members of the Director's immediate family, 10% of another company that makes payments to or receives payments from us (together with our consolidated subsidiaries) for property or services in an amount which, in any single fiscal year, is more than the greater of \$1 million or 2% of such other company's consolidated gross revenues, is not independent until three years after falling below such threshold.

A Director who is, or whose immediate family member is, a director, trustee or officer of a charitable organization, or holds a similar position with such an organization, and we (together with our consolidated subsidiaries) make contributions to the charitable organization in an amount which exceeds, in any single fiscal year, the greater of \$1 million per year or at least 5% of such organization's consolidated gross revenues, is not independent until three years after falling below such threshold.

The Board of Directors, using these standards for determining the independence of its members, has determined that the following Directors are independent: William F. Aldinger III, Gilbert F. Amelio, Reuben V. Anderson, James H. Blanchard, August A. Busch III, James P. Kelly, Charles F. Knight, Jon C. Madonna, Lynn M. Martin, John B. McCoy, Mary S. Metz, Toni Rembe, Joyce M. Roché, Laura D'Andrea Tyson and Patricia P. Upton. Each member of the Audit Committee, the Human Resources Committee and the Corporate Governance and Nominating Committee is independent.

Compensation of Directors

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

The Committee's charter authorizes the Committee to employ independent compensation and other consultants to assist in fulfilling its duties. The Committee may also form and delegate authority to subcommittees. From time to time, the Committee engages CCA Strategies LLC, an employee benefits and compensation consulting firm and a division of JPMorgan Retirement Plan Services (which also acts as a consultant to the Human Resources Committee on executive compensation matters), to provide the Committee with information regarding director compensation paid by companies principally in the Fortune 50, Fortune 100 and a special comparator group used by the Human Resources Committee. In reviewing Director compensation, the Committee may request CCA Strategies to provide a study of director compensation disclosed in proxy statements of companies in the comparison groups. After reviewing the study, the Committee may make recommendations to the Board for modifying the compensation of Directors. In addition, from time to time, the Chief Executive Officer may make recommendations to the Committee or the Board about types and amounts of appropriate compensation and benefits for directors.

Directors who are employed by us or one of our subsidiaries receive no separate compensation for serving as Directors or as members of Board committees. Non-employee Directors receive an annual retainer of \$85,000, together with \$2,000 for each Board meeting or review session attended. Committee members receive \$1,700 for each committee meeting attended, except that members of the Audit and Human Resources Committees receive \$2,000 for each meeting attended in person. The Chairperson of each committee receives an additional annual retainer of \$5,000, except for the Chairpersons of the Audit and Human Resources Committees, each of whom receives an additional annual retainer of \$20,000. The Lead Director also receives an additional annual retainer of \$20,000.

Under the AT&T Non-Employee Director Stock and Deferral Plan (the "Director Deferral Plan"), Directors may choose to receive their retainers in the form of our common stock or cash. Under that plan, Directors may also choose to defer the receipt of their fees and all or part of their retainers into either deferred stock units or into a cash deferral account. Each deferred stock unit is equivalent to a share of common stock and earns dividend equivalents in the form of additional deferred stock units. Directors purchase the deferred stock units at the fair market value of AT&T common stock. Deferred stock units are paid out at the Director's election in a lump sum or in up to 15 annual installments after the Director ceases service with the Board. Deferred stock units acquired before 2007 are paid out in the form of common stock (subject to the right to make a one-time election to have all future payouts of deferred stock units be made in cash); all other deferred stock units are paid out in cash.

Edgar Filing: AT&T INC. - Form DEF 14A

In addition, under the Director Deferral Plan each non-employee Director annually receives one and one-half times his or her base annual retainer in the form of deferred stock units. Each Director who joined the Board after November 21, 1997, and before September 24, 2004, receives an additional annual grant of \$13,000 in the form of deferred stock units, limited to 10 annual grants. The annual grants are fully earned and vested at issuance. These deferred stock units are paid at the same time and manner as deferred stock units acquired with deferred retainers and fees.

Deferrals into the cash deferral account under the Director Deferral Plan earn interest during the calendar year at a rate equal to the Moody's Long-Term Corporate Bond Yield Average for September of the preceding year ("Moody's Rate"). This interest rate roughly approximates the market interest rate prescribed by the Securities and Exchange Commission ("SEC") for disclosure purposes. Amounts earned above the SEC interest rate, if any, are included in the "Director Compensation" table on page 9 under the heading "Change in Pension Value and Non-qualified Deferred Compensation Earnings." Directors may annually choose to convert their Cash Deferral Accounts into deferred stock units at the fair market value of our stock at the time of the conversion.

AT&T does not offer non-employee Directors a retirement plan or pension. However, Directors who joined the Board before 1997 have vested rights in a former pension plan that we no longer offer. *Only benefits that have already vested are payable under the plan.* Each Director who is vested in the former pension plan, upon retirement, will receive annually 10% of the annual retainer in effect at the time of his or her retirement multiplied by the number of years of service, not to exceed 10 years. The payments will continue for the life of the Director. If the Director dies before receiving 10 years of payments, the Director's beneficiaries will receive the payments for the remainder of the 10-year period.

Upon our acquisition of Pacific Telesis Group ("PTG") on April 1, 1997, certain of the former PTG Directors joined our Board. As part of their service with PTG, these Directors previously received PTG Deferred Stock Units, which were issued in exchange for a waiver by the Directors of certain retirement benefits. The PTG Deferred Stock Units are fully vested, earn dividend equivalents and are paid out in the form of cash after the retirement of the Director. After the acquisition of PTG, the Deferred Stock Units were modified so that their value was based on AT&T stock instead of PTG stock. Service as a Director of AT&T is deemed service with PTG for these benefits. In addition, these Directors were allowed to continue their prior deferrals of PTG retainers and fees made before they joined the AT&T Board at the PTG rates. Under the PTG plans, deferrals earn a rate of interest equal to Moody's Rate plus 4% for deferrals from 1985 through 1992, Moody's Rate plus 2% for deferrals from 1993 through 1995, and the 10-year Treasury Note average for the month of September for the prior year plus 2% for deferrals after 1995.

Similarly, upon our acquisition of BellSouth Corporation on December 29, 2006, certain of the former BellSouth Directors joined our Board. These Directors had previously made cash and stock based deferrals under plans offered by BellSouth. These deferrals pay out in accordance with the choices of the Directors. Cash deferrals earn a rate of interest equal to Moody's Monthly Average of Yields of Aa Corporate Bonds for the previous July, while earnings on deferrals in the form of stock units are reinvested in additional deferred stock units at the fair market value of the underlying stock.

Director Compensation

Director	Fees Earned or Paid in Cash (1) (\$)	Stock Awards (2) (3) (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (4) (\$)	All Other Compensation (5) (\$)	Total (\$)
William F. Aldinger III	130,300	127,500	0	5,242	263,042
Gilbert F. Amelio	149,300	127,500	332	3,522	280,654
Reuben V. Anderson (6)	116,600	127,500	0	154	244,254
James H. Blanchard (6)	115,200	127,500	0	154	242,854
August A. Busch III	123,000	127,500	0	21,117	271,617
Martin K. Eby, Jr.	47,433	0	0	29,779	77,212
James A. Henderson	53,400	0	0	20,162	73,562
James P. Kelly	128,300	127,500	0	154	255,954
Charles F. Knight	121,000	127,500	0	18,786	267,286
Jon C. Madonna	148,400	127,500	0	2,144	278,044
Lynn M. Martin	111,200	140,500	0	12,403	264,103
John B. McCoy	141,333	140,500	0	21,479	303,312
Mary S. Metz	116,600	127,500	4,198	23,601	271,899
Toni Rembe	121,600	127,500	42	1,961	251,103
S. Donley Ritchey	51,800	0	6,488	18,563	76,851
Joyce M. Roché	114,900	140,500	0	2,615	258,015
Laura D'Andrea Tyson	114,300	140,500	0	2,763	257,563
Patricia P. Upton	119,500	127,500	23,753	4,486	275,239

1.

The following table shows the number of deferred stock units purchased in 2007 by each Director with deferrals of their retainers and fees. Each year, Directors may elect to make monthly purchases during the following calendar year of deferred stock units at the fair market value of our stock at the time of the purchase.

Director	Deferred Stock Units	Director	Deferred Stock Units
William F. Aldinger	2,164	James P. Kelly	1,091
Gilbert F. Amelio	1,269	Charles F. Knight	3,059
Reuben V. Anderson	783	John B. McCoy	3,580
James H. Blanchard	764	Toni Rembe	1,933
August A. Busch III	3,121	Joyce M. Roche	2,164

2.

This represents an annual grant of deferred stock units that are immediately vested, valued using the grant date value in accordance with Statement of Financial Accounting Standard ("FAS") 123R, and deferred. The deferred stock units will be distributed after the Director ceases his or her service with the Board at the times elected by the Director.

3.

Each of Mr. Aldinger and Mr. Madonna hold 2,035 outstanding restricted stock units which were received while they were serving on the Board of Directors of AT&T Corp., before its acquisition by AT&T Inc. (then known as SBC Communications Inc.). Pursuant to the acquisition agreement, these restricted stock units were converted into AT&T Inc. units. The units vest 50% in each of 2008 and 2009. At vesting of the units, each unit is converted into a share of AT&T Inc. stock. Termination of service on the Board before

Edgar Filing: AT&T INC. - Form DEF 14A

vesting of these units will result in forfeiture of the units. Mr. Madonna was also issued options by AT&T Corp., which were converted into options to acquire

Edgar Filing: AT&T INC. - Form DEF 14A

2,496 shares of AT&T Inc. common stock. Similarly, Mr. Anderson, Mr. Blanchard, and Mr. Kelly hold 55,910 options, 72,934 options, and 41,099 options, respectively, that were originally granted by BellSouth Corporation while they served on the BellSouth Board before its 2006 acquisition by AT&T Inc.

4. The amount shown for Ms. Upton represents the total change in the actuarial present value of her pension during 2007. (The pension plan was discontinued for new Directors joining the Board in 1997 and later.) Amounts shown for all other Directors represent the difference between market interest rates determined pursuant to SEC rules and actual rates used to determine earnings on deferred compensation. The amounts shown for other Directors relates solely to amounts deferred under the terms of Pacific Telesis Group plans before that company's acquisition by AT&T Inc.
5. Under the AT&T Higher Education/Cultural Matching Gift Program, which covers AT&T employees as well as Directors, the AT&T Foundation matches charitable contributions ranging from \$25 to \$15,000 per year by active Directors. In 2007, a total of \$128,902 was paid on behalf of active Directors under the program. The amounts reported in this column include the following matching contributions paid on behalf of the following Directors: Mr. Busch \$15,000, Mr. Eby \$24,420 (\$14,150 of which relates to contributions made in 2006), Mr. Henderson \$15,000, Mr. Knight \$15,000, Mr. McCoy \$15,000, Dr. Metz \$17,982 (\$10,000 of which relates to contributions made in 2006) and Mr. Ritchey \$15,500 (\$500 of which relates to contributions made in 2006).
6. Under the BellSouth Non-Employee Directors Charitable Contribution Program, BellSouth Directors were permitted to designate contributions of up to \$1 million, depending on years of service. Pursuant to the program, Directors Anderson and Blanchard each designated contributions that are not reflected in the table above because they were required to be accrued prior to 2007. Of these amounts, \$200,000 was paid in 2007 on behalf of each of these Directors, and \$200,000 will be paid in 2008 on behalf of Mr. Anderson.

RELATED PERSON TRANSACTIONS

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

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

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

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

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

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

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

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

During 2007, a son-in-law of Edward E. Whitacre, Jr., a brother of Stanley T. Sigman, a brother of Ronald E. Spears (Group President-Global Business Services), and a daughter of James W. Callaway (Senior Executive Vice President-Executive Operations) were employed by subsidiaries with approximate rates of pay, including target incentive awards, between \$130,000 and \$200,000. These rates of pay are similar to those paid for comparable positions at the Company. The employment of each of these persons was approved by the Corporate Governance and Nominating Committee under the Company's Related Party Transactions Policy.

After Mr. de la Vega became an executive officer on June 4, 2007, an affiliate of AT&T purchased his Atlanta, Georgia, home based on the appraised value (approximately \$1.18 million), pursuant to an AT&T relocation plan; the proceeds of the sale were used by Mr. de la Vega to repay a cash advance of approximately \$540,000 that was made under the plan prior to his becoming an executive officer. During 2007, in connection with Mr. Sigman's retirement, an affiliate of AT&T purchased his Atlanta, Georgia apartment, including furnishings, for \$1 million, which was the price paid by Mr. Sigman when he purchased the apartment three years earlier and was at the mid range of the appraised value exclusive of the furnishings. Each of these transactions was approved by the Corporate Governance and Nominating Committee under the Company's Related Party Transactions Policy.

COMMON STOCK OWNERSHIP

The following table lists the beneficial ownership of AT&T common stock and non-voting stock units as of December 31, 2007 (except as noted in footnote 5), held by each Director, nominee and officer named in the "Summary Compensation Table" on page 46. As of that date, each Director and officer listed below, and all Directors and executive officers as a group, owned less than 1% of our outstanding common stock. Except as noted below, the persons listed in the table have sole voting and investment power with respect to the securities indicated.

Name of Beneficial Owner	Total AT&T Beneficial Ownership (including options)(1)	Non-Voting Stock Units(2)	Name of Beneficial Owner	Total AT&T Beneficial Ownership (including options)(1)	Non-Voting Stock Units(2)
William F. Aldinger III	15,118	9,482	Patricia P. Upton	13,736	34,860
Gilbert F. Amelio	5,399	50,382	Randall L. Stephenson	1,148,381	173,484
Reuben V. Anderson	74,860	4,144	Richard G. Lindner	284,105	27,635
James H. Blanchard	136,815	4,124	Ralph de la Vega	665,238	0
August A. Busch III (3)	83,354	104,860	Forrest E. Miller	648,968	84,106
James P. Kelly	47,066	4,456	John T. Stankey	321,242	32,304
Charles F. Knight	24,978	64,028	Edward E. Whitacre, Jr. (5)	10,492,478	2,454
Jon C. Madonna	15,034	7,287	Stanley T. Sigman (5)	934,875	68,255
Lynn M. Martin	8,274	34,411	James D. Ellis (5)	1,895,593	28,595
John B. McCoy	31,584	65,924			
Mary S. Metz	3,989	40,251	All executive officers and		
Toni Rembe (4)	16,548	50,373	Directors as a group		
Joyce M. Roché	2,041	54,675	(consisting of 30 persons,		
Laura D'Andrea Tyson	11,648	38,188	including those named above)	19,473,038	1,072,642

- The table above includes presently exercisable stock options and stock options that became exercisable within 60 days of the date of this table. The following Directors and officers hold the following numbers of options: Mr. Anderson 55,910, Mr. Blanchard 72,934, Mr. Kelly 41,099, Mr. Madonna 2,496, Mr. Stephenson 949,409, Mr. Lindner 205,837, Mr. de la Vega 494,832, Mr. Miller 575,804, Mr. Stankey 178,101, Mr. Whitacre 8,506,268, Mr. Sigman 876,319, Mr. Ellis 1,389,446, and all executive officers and Directors as a group 15,531,928. In addition, of the shares shown in the table above, the following persons share voting and investment power with other persons with respect to the following numbers of shares: Dr. Amelio 5,381, Mr. Blanchard 390, Mr. Busch 6,600, Mr. Madonna 12,538, Dr. Metz 797, Ms. Rembe 2,573, Dr. Tyson 11,648, Ms. Upton 5,025, Mr. Stephenson 139,451, Mr. Lindner 78,267, Mr. Miller 72,458, Mr. Stankey 17,496, Mr. Whitacre 31,668, and Mr. Ellis 318,432.
- Represents number of vested stock units held by the Director or officer, where each stock unit is equal in value to one share of our AT&T stock. The stock units are paid in stock or cash depending upon the plan and the election of the Director at times specified by the relevant plan. None of the stock units listed may be converted into common stock within 60 days of the date of this table. As noted under "Compensation of Directors," AT&T's plans permit non-employee Directors to acquire stock units (also referred to as deferred stock units) by deferring the receipt of fees and retainers into stock units and through a yearly grant of stock units. Officers may acquire stock units by participating in stock-based compensation deferral plans. Certain of the Directors also hold stock units issued by companies prior to their acquisition by AT&T that have been converted into AT&T stock units. Stock units carry no voting rights.
- Mr. Busch disclaims beneficial ownership of 3,300 shares held in a trust for a sister.
- Ms. Rembe disclaims beneficial ownership of 2,145 shares held in a trust for her spouse and 428 shares held by her spouse's corporation.
- Represents beneficial ownership as of June 3, 2007, for Mr. Whitacre and Mr. Ellis, and October 11, 2007, for Mr. Sigman, the dates the respective individuals each ceased being a Named Executive Officer.

MATTERS TO BE VOTED UPON

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

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

If the number of persons nominated for election as Directors as of ten days before the record date for determining stockholders entitled to notice of or to vote at such meeting shall exceed the number of Directors to be elected, then the Directors shall be elected by a plurality of the votes cast.

Because no persons other than the incumbent Directors have been nominated for election at the 2008 Annual Meeting, each nominee must receive a majority of the votes cast for that nominee to be elected to the Board.

All other matters at the 2008 Annual Meeting will be determined by a majority of the votes cast. Shares represented by proxies marked "abstain" with respect to the proposals described on the proxy card and by proxies marked to deny discretionary authority on other matters will not be counted in determining the vote obtained on such matters. If the proxy is submitted and no voting instructions are given, the person or persons designated on the card will vote the shares for the election of the Board of Directors' nominees and in accordance with the recommendations of the Board of Directors on the other subjects listed on the proxy card and at their discretion on any other matter that may properly come before the meeting.

Under the rules of the New York Stock Exchange, on certain routine matters, brokers may, at their discretion, vote shares they hold in "street name" on behalf of beneficial owners who have not returned voting instructions to the brokers. Routine matters include the election of Directors and the ratification of the appointment of the independent auditors. In instances where brokers are prohibited from exercising discretionary authority (so-called "broker non-votes"), the shares they hold are not included in the vote totals. At the 2008 Annual Meeting, brokers will be prohibited from exercising discretionary authority with respect to each of the stockholder proposals (Items 3 through 7). Because broker non-votes are not included in the vote, they will have no effect on the vote for any of the proposals.

Election of Directors (Item No. 1)

The following persons, each of whom is currently a Director of AT&T, have been nominated by the Board of Directors on the recommendation of the Corporate Governance and Nominating Committee for election to one-year terms of office that would expire at the 2009 Annual Meeting.

RANDALL L. STEPHENSON, age 47, is Chairman of the Board, Chief Executive Officer and President of AT&T Inc. and has served in this capacity since June 2007. Before being named Chairman and Chief Executive Officer, Mr. Stephenson had served as Chief Operating Officer of AT&T Inc. since April 2004. He was Senior Executive Vice President and Chief Financial Officer of AT&T Inc. from August 2001 through May 2004. Prior to becoming Chief Financial Officer, Mr. Stephenson held a variety of high-level finance and marketing positions with AT&T or its subsidiaries since 1996. He first joined AT&T through its subsidiary, Southwestern Bell Telephone Company, in 1982. He is the Chairman of the Executive Committee. He has been a Director of AT&T since June 2005. Mr. Stephenson is a Director of Emerson Electric Co.

WILLIAM F. ALDINGER III, age 60, is President and Chief Executive Officer of Capmark Financial Group Inc. (a commercial real estate finance company headquartered in San Mateo, California) and has served in this capacity since June 2006. Mr. Aldinger was Chairman and Chief Executive Officer of HSBC North America Holdings Inc. (a financial services company in Prospect Heights, Illinois) from January 2004 until April 2005. He also served as Chairman from 1996 and Chief Executive Officer from 1994 of HSBC Finance Corporation (formerly Household International, Inc.) until April 2005. Mr. Aldinger has been a Director of AT&T since November 2005. He served as a Director of AT&T Corp. from 2003 until the company was acquired by AT&T Inc. (then known as SBC Communications Inc.) in 2005. Mr. Aldinger is a member of the Audit Committee and the Human Resources Committee. He is a Director of Capmark Financial Group Inc.; Illinois Tool Works Inc.; KKR Financial Corp.; and Charles Schwab Corporation.

GILBERT F. AMELIO, age 65, who began his career at Bell Labs, is Chairman and Chief Executive Officer of Jazz Technologies, Inc. (formerly Acquicor Technology Inc.) and has served in this capacity since August 2005. Jazz Technologies is the parent company of Jazz Semiconductor, Inc., an independent semiconductor wafer foundry headquartered in Newport Beach, California. He has also been Senior Partner of Sienna Ventures (a privately-held venture capital firm in Sausalito, California) since April 2001. Dr. Amelio was Chairman and Chief Executive Officer of Beneventure Capital, LLC (a full-service venture capital firm in San Francisco, California) from 1999 to 2005 and was Principal of Aircraft Ventures, LLC (a consulting firm in Newport Beach, California) from April 1997 to December 2004. In 2003, AmTech, LLC (a high technology investments and consulting services firm), where Dr. Amelio served as Chairman and Chief Executive Officer from 1999 to April 2004, declared bankruptcy. Dr. Amelio was elected a Director of AT&T in February 2001 and had previously served as an Advisory Director of AT&T from April 1997 to February 2001. He served as a Director of Pacific Telesis Group from 1995 until the company was acquired by AT&T in 1997. He is the Chairman of the Human Resources Committee and a member of the Audit Committee and the Executive Committee. Dr. Amelio is a Director of Jazz Technologies, Inc.

REUBEN V. ANDERSON, age 65, is a senior partner in the law firm of Phelps Dunbar, LLP in Jackson, Mississippi, where he has served as a partner since 1991. He served as a Mississippi Supreme Court Justice from 1985 to 1990. Mr. Anderson was elected a Director of AT&T in December 2006. He served as a Director of BellSouth Corporation from 1994 until the company was acquired by AT&T in 2006. He is a member of the Finance/Pension Committee and the Public Policy and Environmental Affairs Committee. Mr. Anderson is a Director of The Kroger Co. and Trustmark Corporation.

JAMES H. BLANCHARD, age 66, was Chairman of the Board of Synovus Financial Corp. (a diversified financial services holding company in Columbus, Georgia) and served in this capacity from July 2005 to October 2006. He served as Chief Executive Officer of Synovus Financial Corp. from January 1971 to July 2005. Mr. Blanchard was elected a Director of AT&T in December 2006. He served as a Director of BellSouth Corporation from 1994 until the company was acquired by AT&T in 2006. He is a member of the Corporate Development Committee and the Human Resources Committee. Mr. Blanchard is a Director of Synovus Financial Corp. and Total System Services, Inc.

Edgar Filing: AT&T INC. - Form DEF 14A

AUGUST A. BUSCH III, age 70, was Chairman of the Board of Anheuser-Busch Companies, Inc. (a brewing, packaging, and family entertainment holding company in St. Louis, Missouri) from 1977 until his retirement in December 2006. Mr. Busch also served as Chief Executive Officer of Anheuser-Busch Companies, Inc. from 1975 until June 2002. Mr. Busch has been a Director of AT&T since October 1983. He served as a Director of Southwestern Bell Telephone Company from 1980 to 1983. He is the Chairman of the Corporate Governance and Nominating Committee and a member of the Corporate Development Committee and the Executive Committee. Mr. Busch is a Director of Anheuser-Busch Companies, Inc.; Emerson Electric Co.; and Grupo Modelo, S.A. de C.V.

JAMES P. KELLY, age 64, was Chairman of the Board and Chief Executive Officer of United Parcel Service, Inc. (a global express carrier and package distribution logistics company in Atlanta, Georgia) from 1997 until his retirement in 2002. Mr. Kelly was elected a Director of AT&T in December 2006. He served as a Director of BellSouth Corporation from 2000 until the company was acquired by AT&T in 2006. He is a member of the Audit Committee and the Corporate Governance and Nominating Committee. Mr. Kelly is a Director of Dana Corporation and United Parcel Service, Inc.

JON C. MADONNA, age 64, was Chairman and Chief Executive Officer of KPMG (an international accounting and consulting firm in New York, New York) from 1990 until his retirement in 1996. He was with KPMG for 28 years where he held numerous senior leadership positions throughout his career. Subsequent to his retirement from KPMG, Mr. Madonna served as Vice Chairman of Travelers Group, Inc. from 1997 to 1998 and President and Chief Executive Officer of Carlson Wagonlit Corporate Travel, Inc. from 1999 to 2000. He was Chief Executive Officer of DigitalThink, Inc. from 2001 to 2002 and was Chairman of DigitalThink, Inc. from April 2002 to May 2004. Mr. Madonna has been a Director of AT&T since November 2005. He served as a Director of AT&T Corp. from 2002 until the company was acquired by AT&T Inc. (then known as SBC Communications Inc.) in 2005. Mr. Madonna is the Chairman of the Audit Committee and a member of the Corporate Development Committee and the Executive Committee. He is a Director of Freeport-McMoRan Copper & Gold Inc.; Jazz Technologies, Inc.; and Tidewater Inc.

Edgar Filing: AT&T INC. - Form DEF 14A

LYNN M. MARTIN, age 68, is President of The Martin Hall Group, LLC (a human resources consulting firm in Chicago, Illinois) and has served in this capacity since January 2005. Ms. Martin was Chair of the Council for the Advancement of Women and Advisor to the firm of Deloitte & Touche LLP (an auditing and management consulting services firm in Chicago, Illinois) from 1993 until September 2005. She served as U.S. Secretary of Labor from 1991 to 1993 and as a member of the U.S. House of Representatives from Illinois from 1981 to 1991. Ms. Martin has been a Director of AT&T since October 1999. She served as a Director of Ameritech Corporation from 1993 until the company was acquired by AT&T in 1999. Ms. Martin is a member of the Finance/Pension Committee and the Public Policy and Environmental Affairs Committee. She is a Director of Constellation Energy Group, Inc.; certain Dreyfus Funds; The Procter & Gamble Company; and Ryder System, Inc.

JOHN B. MCCOY, age 64, was Chairman from November 1999 and Chief Executive Officer from October 1998 of Bank One Corporation (commercial and consumer bank based in Chicago, Illinois) until his retirement in December 1999, and Chairman and Chief Executive Officer of its predecessor, Banc One Corporation, from 1987 to 1998. Mr. McCoy has been a Director of AT&T since October 1999. He served as a Director of Ameritech Corporation from 1991 until the company was acquired by AT&T in 1999. He is the Chairman of the Finance/Pension Committee and a member of the Corporate Governance and Nominating Committee and the Executive Committee. He is a Director of Cardinal Health, Inc.; ChoicePoint Inc.; and Onex Corporation.

MARY S. METZ, age 70, is Chair Emerita of the Board of Trustees of American Conservatory Theater (a nonprofit nationally renowned theater and an accredited conservatory in San Francisco, California), where she served as Chair of the Board of Trustees from November 2004 until June 2007. Dr. Metz is also President Emerita of Mills College. She was President of S. H. Cowell Foundation in San Francisco, California, from January 1999 until her retirement in March 2005, and was Dean of the University Extension of the University of California at Berkeley from 1991 until 1998. Dr. Metz has been a Director of AT&T since April 1997. She served as a Director of Pacific Telesis Group from 1986 until the company was acquired by AT&T in 1997. She is a member of the Corporate Governance and Nominating Committee and the Public Policy and Environmental Affairs Committee. Dr. Metz is a Director of Longs Drug Stores Corporation; Pacific Gas and Electric Company; and UnionBanCal Corporation.

JOYCE M. ROCHÉ, age 60, is President and Chief Executive Officer of Girls Incorporated (a national nonprofit research, education, and advocacy organization in New York, New York) and has served in this capacity since September 2000. Ms. Roché was an independent marketing consultant from 1998 to 2000. She was President and Chief Operating Officer of Carson, Inc. from 1996 to 1998, and Executive Vice President of Global Marketing of Carson, Inc. from 1995 to 1996. Ms. Roché has been a Director of AT&T since October 1998. She served as a Director of Southern New England Telecommunications Corporation from 1997 until the company was acquired by AT&T in 1998. She is a member of the Corporate Governance and Nominating Committee and the Public Policy and Environmental Affairs Committee. She is a Director of Anheuser-Busch Companies, Inc.; Macy's, Inc.; and Tupperware Corporation.

LAURA D'ANDREA TYSON, age 60, is Professor of Business Administration and Economics at the Walter A. Haas School of Business, University of California at Berkeley, and has served in this capacity since January 2007. She was Dean of London Business School, London, England, from January 2002 until December 2006. Dr. Tyson was Dean of the Walter A. Haas School of Business at the University of California at Berkeley from July 1998 to December 2001. Dr. Tyson served as Professor of Economics and Business Administration at the University of California at Berkeley from 1997 to 1998. She served as National Economic Adviser to the President of the United States from 1995 to 1996 and as Chair of the White House Council of Economic Advisers from 1993 to 1995. Dr. Tyson has been a Director of AT&T since October 1999. She served as a Director of Ameritech Corporation from 1997 until the company was acquired by AT&T in 1999. She is a member of the Corporate Development Committee and the Finance/Pension Committee. Dr. Tyson is a Director of Eastman Kodak Company and Morgan Stanley.

PATRICIA P. UPTON, age 69, is President and Chief Executive Officer of Aromatique, Inc. (manufacturer and wholesaler of decorative fragrances in Heber Springs, Arkansas) and has served in this capacity since 1982. Ms. Upton has been a Director of AT&T since June 1993. She is a member of the Human Resources Committee and the Public Policy and Environmental Affairs Committee.

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

***Your Board of Directors Recommends a Vote "FOR"
Each of the Above Nominees for Election as Directors.***

Ratification of the Appointment of Ernst & Young LLP as Independent Auditors (Item No. 2)

This proposal would ratify the appointment of the firm of Ernst & Young LLP to serve as independent auditors of AT&T Inc. by the Audit Committee of the Board of Directors for the fiscal year ending December 31, 2008. This firm has audited the accounts of AT&T since 1983. If stockholders do not ratify this appointment, the Committee will consider other independent auditors. One or more members of Ernst & Young LLP are expected to be present at the Annual Meeting, will be able to make a statement if they so desire, and will be available to respond to appropriate questions.

*Your Board of Directors Recommends a Vote "FOR"
Ratification of the Appointment of Ernst & Young LLP as Independent Auditors.*

Stockholder Proposals (Items 3 through 7)

Certain stockholders have advised the Company that they intend to introduce at the 2008 Annual Meeting the proposals set forth below. The names and addresses of, and the number of shares owned by, each such stockholder will be provided upon request to the Senior Vice President and Secretary of AT&T.

Stockholder Proposal (Item No. 3)

Corporate Political Contributions and Trade Association Payments

Resolved, that the shareholders of AT&T ("Company") hereby request that the Company provide a report, updated semi-annually, disclosing the Company's:

1. Policies and procedures for political contributions and expenditures (both direct and indirect) made with corporate funds.
2. Monetary and non-monetary political contributions and expenditures not deductible under section 162 (e)(1)(B) of the Internal Revenue Code, including but not limited to contributions to or expenditures on behalf of political candidates, political parties, political committees and other political entities organized and operating under 26 USC Sec. 527 of the Internal Revenue Code and any portion of any dues or similar payments made to any tax exempt organization that is used for an expenditure or contribution if made directly by the corporation would not be deductible under section 162 (e)(1)(B) of the Internal Revenue Code. The report shall include the following:
 - a. An accounting of the Company's funds that are used for political contributions or expenditures as described above;
 - b. Identification of the person or persons in the Company who participated in making the decisions to make the political contribution or expenditure; and

- c. The internal guidelines or policies, if any, governing the Company's political contributions and expenditures.

The report shall be presented to the board of directors' audit committee or other relevant oversight committee and posted on the company's website to reduce costs to shareholders.

Supporting Statement

As long-term investors, the proponent, the proposal's sponsor, supports transparency and accountability in corporate spending on political activities. These activities include direct and indirect political contributions to candidates, political parties or political organizations; independent expenditures; and electioneering communications on behalf of a federal, state or local candidate.

Disclosure is consistent with public policy and in the best interest of the company and its shareholders. Absent a system of accountability, company assets can be used for policy objectives that may be inimical to the long-term interests of and may pose risks to the company and its shareholders.

AT&T contributed at least \$20 million in corporate funds since the 2002 election cycle. (CQ's PoliticalMoneyLine, available at <http://moneyline.cq.com/pml/home.do> and National Institute on Money in State Politics, available at <http://www.followthemoney.org/index.phtml>)

However, relying on publicly available data does not provide a complete picture of the Company's political expenditures. For example, the Company's payments to trade associations used for political activities are undisclosed and unknown. In many cases, even corporate management does not know how trade associations use their company's money politically. The proposal asks the Company to disclose all of its political contributions, including payments to trade associations and other tax exempt organizations. This would bring our Company in line with a growing number of leading companies, including Pfizer, Dell, Aetna and American Electric Power that support political disclosure and accountability and disclose this information on their websites.

The Company's Board and its shareholders need complete disclosure to be able to fully evaluate the political use of corporate assets. Thus, we urge your support for this critical governance reform.

YOUR DIRECTORS' POSITION

Political contributions, where permitted, are an important part of the regulatory and legislative process. AT&T is in a highly regulated industry and the Company's operations are significantly affected by the actions of elected officials at the local, state and national levels, including rates it can charge customers, its profitability and even how it must provide services to competitors. It is important that your Company actively participate in the electoral and legislative processes in order to protect your interests as stockholders. We do so by contributing prudently to state and local candidates and by contributing to political organizations and trade associations when such contributions advance AT&T's business objectives and the interests of our stockholders. In making such contributions, AT&T is committed to complying with campaign finance and lobbying laws, and changes that may be enacted in the future, including the laws requiring public disclosure of political contributions and lobbying

expenses. The amount of AT&T's expenditures in this area is de minimis as compared to the total expenditures of the Company in a year. The adoption of this proposal would add unnecessary costs to the business.

Each year, your Board of Directors authorizes a maximum amount of aggregate contributions that can be made by your Company, as permitted by, and in strict compliance with, applicable law, for the purposes of supporting or opposing any party, committee, candidate for public office, or ballot measure, or for any other political purpose. Except for contributions for ballot measures, no expenditure over \$1,000 may be made unless approved by the Chief Executive Officer (lesser amounts may be approved by delegates). All expenditures must be submitted to the Company's attorneys to confirm that each contribution is lawful. AT&T's policy with respect to political contributions is clearly set forth on the Company's website, and can be found at <http://www.att.com/gen/investor-relations?pid=7726>.

In addition, no Company funds, by law, are expended to make Federal political contributions. Federal law has long prohibited corporate contributions to Federal candidates or their political committees. With the enactment of the Bi-Partisan Campaign Finance Reform Act of 2002 (known as the "*McCain Feingold Act*"), *corporate contributions to Federal political parties and Leadership Committees* are prohibited, effective November 6, 2002.

As to state and local contributions, state laws determine when and under what circumstances political contributions are permissible. Moreover, a number of states in which AT&T operates have extensive reporting requirements. These rules, in general, are equally applicable to all participants in the political process. This proposal, on the other hand, would impose a set of rules only on your Company.

This proposal would impose unwarranted expenditures of funds and administrative burdens on your Company and would be uniquely applicable only to your Company and not to our competitors, unions or any other participants in the process. Your Directors believe that any reporting requirements that go beyond those required under existing law should be applicable to all participants in the process, not just to AT&T.

*Your Board of Directors Recommends a
Vote "AGAINST" This Proposal.*

Stockholder Proposal (Item No. 4)

Exclude Pension Credits from Calculations of Performance-Based Pay

Resolved: The shareholders of AT&T, Inc. urge the Board to determine future awards of performance-based compensation for executive officers using a measure of earnings that excludes non-cash "pension credits" that result from projected returns on employee pension fund assets, and to report annually to shareholders on the specific financial performance measure used to award performance pay.

Supporting Statement

In recent years a substantial share of AT&T's reported earnings has not been cash flow from ordinary operations, but rather accounting rule income from "pension credits." Because pension credits reflect neither operating performance nor even actual returns on company pension assets we believe these credits should not factor into performance-based executive compensation.

When this resolution was submitted by one of its co-sponsors to the pre-merger AT&T, the Board's Compensation and Employee Benefits Committee adopted it as an executive compensation policy (February 23, 2004). The Committee stated, in the 2004 proxy statement, that "[w]e are joining many other companies which are adopting similar compensation policies, which our Board believes comport with evolving best practices for executive compensation."

Unfortunately, the policy was not included in AT&T's post-merger Corporate Governance Guidelines. We believe it should be.

Pension income is simply not a good measure of management's operating performance. Pension credits are not even based on actual investment returns, but on the "expected return" on plan assets and other assumptions set by management. For example, SBC Communications (which merged with the "old" AT&T) used non-cash pension credits to add \$1.14 billion to reported operating income in 2002.

Similarly, management at the pre-merger AT&T added \$1.3 billion in pension credits to earnings in 2000 through 2002 based on a *projected* \$5 billion net gain on pension investments. In 2000, pension credits of \$775 million accounted for nearly one-fifth (19.7%) of AT&T's pretax income.

In reality, AT&T's the pension trust actually *lost* \$2.9 billion over this three-year period. Meanwhile the pension surplus deteriorated from \$9 billion surplus to less than \$1 billion by year-end 2002.

According to a *Wall Street Journal* report (June 25, 2001), "companies can use pension accounting to manage their earnings by changing assumptions to boost the amount of pension income that can be factored into operating income."

An Institutional Shareholder Services (ISS) issue brief explained that "although in many cases pension assets plummeted in value, non-cash "pension credits" boosted not only reported earnings, but also performance-based executive pay." ["Cookie-Jar Accounting: Pension Credits Plump Executive Pay," ISS, April 2002.]

Because AT&T's management retains great discretion over the assumptions used to calculate pension credits, we believe that excluding this accounting rule income from calculations of executive pay will help to assure shareholders that this discretion will not lead to conflicts of interest.

In addition, if incentive pay formulas encourage management to skip cost-of-living adjustments expected by retirees, or to reduce retirement benefits expected by employees (as we believe AT&T did

in switching to a cash balance pension plan), in our opinion AT&T's ability to recruit and retain experienced employees could be undermined.

Please VOTE FOR this resolution.

YOUR DIRECTORS' POSITION

Your Board of Directors believes that this proposal is not in the best interests of AT&T stockholders. We believe that, for purposes of performance-based compensation based on net income, it is better to determine awards as much as practical on the basis of the financial and operating results that we report to our stockholders in accordance with generally accepted accounting principles ("GAAP") and other standards set forth by the Financial Accounting Standards Board (the "FASB") and the SEC.

The manner in which we and other public companies account for and report pension expense is mandated by and consistent with GAAP, applicable SEC requirements and various FASB standards and guidelines. Under GAAP and applicable FASB accounting standards, we are required to estimate and recognize the cost of providing a pension for each participating employee over the period that the employee is expected to work for AT&T. Our estimates are partially based on assumptions made at the beginning of the year about the amount that will be earned through investment of the funds held in the separate pension trust. We are required to recognize gains or losses when the actual investment return on the pension plan assets varies from the level that was initially assumed for purposes of estimating pension expense. This adjustment, net of certain other accounting adjustments, sometimes results in a gain or "pension credit." Adjustments reflecting gains or losses are likely to be made each year, since there will almost certainly be variations between our actual return on pension assets and the assumptions that we made in initially recording the estimated pension expense. Therefore, including adjustments such as "pension credits" in our reported earnings is consistent with applicable accounting standards and with the practice of other public companies.

AT&T's executive compensation programs and policies are administered by the Human Resources Committee of the Board of Directors, which is composed entirely of outside, independent Directors. The Committee believes the best way to serve stockholders is to create a competitive compensation program that attracts and retains the best managers, rewards performance, and brings value to our stockholders. To meet these objectives, the Committee seeks to base a significant portion of executive compensation on performance and to establish incentives that drive performance and add stockholder value. We believe that the administration of our compensation program and the criteria to be used for awarding performance-based compensation to our executive officers are best left to the discretion and expertise of the Human Resources Committee. Furthermore, to the extent that we link these criteria to our financial and operating results, we believe that as much as practical we should use the same results that we report to our stockholders in accordance with GAAP, FASB standards and applicable SEC regulations.

***Your Board of Directors Recommends a
Vote "AGAINST" This Proposal.***

Stockholder Proposal (Item No. 5)

5 Independent Lead Director

Resolved, Shareholders request that our Board adopt a bylaw to require that our company have an independent lead director whenever possible with clearly delineated duties, elected by and from the independent board members, to be expected to serve for more than one continuous year, unless our company at that time has an independent board chairman. The standard of independence would be the standard set by the Council of Institutional Investors.

The clearly delineated duties at a minimum would include:

Presiding at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors.

Serving as liaison between the chairman and the independent directors.

Approving information sent to the board.

Approving meeting agendas for the board.

Approving meeting schedules to assure that there is sufficient time for discussion of all agenda items.

Having the authority to call meetings of the independent directors.

Being available for consultation and direct communication, if requested by major shareholders.

A key purpose of the Independent Lead Director is to protect shareholders' interests by providing independent oversight of management, including our CEO. An Independent Lead Director with clearly delineated duties can promote greater management accountability to shareholders and lead to a more objective evaluation of our CEO.

An Independent Lead Director should be selected primarily based on his qualifications as a Lead Director, and not simply default to the Director who has another designation on our Board. Additionally an Independent Lead Director should not be rotated out of this position each year just as he or she is gaining valuable Lead Director experience.

Please encourage our board to respond positively to this proposal and establish a Lead Director to protect shareholders' interests:

Independent Lead Director

Yes on 5

YOUR DIRECTORS' POSITION

Your Board of Directors opposes this proposal because AT&T already has a Lead Director whose duties are designed to protect stockholders' interests by providing independent oversight of management.

Edgar Filing: AT&T INC. - Form DEF 14A

In accordance with the requirements of the New York Stock Exchange, AT&T's Corporate Governance Guidelines require that our non-management Directors meet in executive session at least quarterly and that these executive sessions be chaired by a Lead Director chosen from among the non-management directors. In addition to presiding at each session of the non-management Directors, the duties of our Lead Director include:

preparing the agendas for the executive sessions of the non-management Directors,
acting as the principal liaison between the non-management Directors and the Chairman and Chief Executive Officer,
coordinating the activities of the non-management Directors when acting as a group,
making him or herself available to act as a contact point for interested persons, and
advising the Chairman and Chief Executive Officer as to the quality quantity and timeliness of the flow of information from management, including the materials provided to Directors at board meetings.

In addition, the Board has recently amended the Corporate Governance Guidelines to provide that the Lead Director serve for a two-year term.

All of our non-employee Directors, including our Lead Director, satisfy the independence requirements of the New York Stock Exchange, as well as the additional independence requirements set forth in our Corporate Governance Guidelines.

Because AT&T's Corporate Governance Guidelines already provide for a non-management Lead Director, we believe that this proposal is unnecessary and recommend that stockholders vote against it.

*Your Board of Directors Recommends a
Vote "AGAINST" This Proposal.*

Stockholder Proposal (Item No. 6)

Supplemental Executive Retirement Plan Policy Proposal

Be it Resolved: That the shareholders of the AT&T Inc. ("Company") hereby urge that the Board of Director's executive compensation committee establish a policy limiting the benefits provided under the Company's supplemental executive retirement plan ("SERP Policy"). The SERP Policy should provide for the following: (1) a limitation of covered compensation to a senior executive's annual salary, and (2) the exclusion of all incentive or bonus pay from inclusion in the plan's definition of covered compensation used to establish benefits. The SERP Policy should be implemented in a manner so as not to interfere with existing contractual rights of any supplemental plan participant.

Supporting Statement: We believe that one of the most troubling aspects of the sharp rise in executive compensation is the excessive pension benefits provided to senior corporate executives through the use of supplemental executive retirement plans ("SERPs"). Our Company has established a SERP, the Supplemental Employee Retirement Plan. The Supplemental Employee Retirement Plan provides the Company's chief executive officer ("CEO") and other senior executives retirement benefits far greater

than those permitted under the Company's tax-qualified pension plan. Our proposal seeks to limit excessive pension benefits by limiting the type of compensation used to calculate pension benefits under the SERP plan(s).

At present, U.S. tax law maintains a \$230,000 limit on the level of compensation used to determine a participant's retirement benefit under a tax-qualified pension plan. Our Company has established a SERP as a complement to its tax-qualified plan in order to provide senior executives increased retirement benefits. This is accomplished by raising the level of compensation used in the pension formula to calculate retirement benefits. The SERP establishes a higher compensation level on which to calculate senior executives' pension benefits by including the executive's full salary and annual bonus in the compensation figure. The Company's 2007 proxy statement indicates that the combined salary and bonus figure was \$8,883,000 for the CEO, approximately 38 times the \$230,000 compensation limit in the Company's tax-qualified pension plan.

Our position is that the inclusion of an executive's annual bonus along with his or her full salary in the pension calculation is overly generous and unjustifiable. The only type of compensation used in the SERP for establishing the level of additional pension benefits should be an executive's annual salary. No variable incentive pay should be included in a senior executive's pension calculation under the SERP. The inclusion of annual bonus or incentive payments in determining increased pension benefits can dramatically increase the pension benefit afforded senior executives and has the additional undesirable effect of converting one-time incentive compensation into guaranteed lifetime pension income.

The proposal's limitation on the type of compensation that can be considered in determining senior executives' retirement benefits to only the executive's salary is a necessary and reasonable restriction on the excessiveness of supplemental retirement benefits. We urge your support for this important executive compensation reform.

YOUR DIRECTORS' POSITION

SERP retirement benefits are part of a comprehensive compensation package used to attract and retain selected senior executives. SERPs are utilized by many large public companies, including many which compete with us for qualified senior executives. The Human Resources Committee, which is comprised entirely of independent directors, is responsible for ensuring that executive compensation is sufficient to attract, retain and reward executives in a competitive business environment.

The Company limits participation in the SERP, and finds the SERP Plan to be a useful component of executive compensation. Any benefit provided under our SERP is offset by amounts payable under any other Company qualified or nonqualified defined benefit pension plan.

The Board recognizes that it must perform its responsibilities in a manner that it believes to be in the best interests of the Company and its stockholders. In order to fulfill those obligations, the Board and the Human Resources Committee must be able to design and approve executive compensation packages that address the facts and circumstances of an individual executive's situation. Requiring the

Board to adopt an arbitrary policy limiting executive retirement benefits would substantially hamper and undermine its ability to attract and retain desirable candidates.

The Human Resources Committee continuously reviews the compensation and benefits for executives. As one of many recent changes, the Human Resources Committee reduced the target SERP percentage to 50% for all new participants.

The Human Resources Committee has engaged an independent consultant to assist it with periodic benchmarking within the Company's compensation peer group to ensure that our executive compensation and benefits programs are competitive with the marketplace. We believe that our SERP and other retirement benefits are consistent with market practice.

For these reasons, your Board of Directors believes it is in the best interests of the Company and its stockholders for the Company to retain the flexibility to consider making SERP benefits part of the compensation package for any or all of its senior executives without being limited by a policy that could put the Company at a significant competitive disadvantage.

*Your Board of Directors Recommends a
Vote "AGAINST" This Proposal.*

Stockholder Proposal (Item No. 7)

Advisory Shareholder Vote on Compensation Committee Reports

Resolved, the shareholders of AT&T hereby request that the Board include, as a voting item printed in the proxy statement for each annual meeting of stockholders, an advisory resolution proposing that stockholders approve or disapprove the compensation of the named executive officers as set forth in the proxy statement's Summary Compensation Table (the "SCT") and the accompanying narrative disclosure of material factors provided to understand the SCT. The board's proposal shall make clear that the vote is advisory and will not abrogate any employment agreement.

Supporting Statement

We believe current rules governing senior executive compensation do not give shareholders sufficient influence over pay practices nor do they give the Board adequate feedback from the owners of the company.

The advisory vote proposed here is similar to the shareholder vote required in other countries, including the U.K., Australia and the Netherlands (which requires a binding shareholder vote).

AT&T's Board has been criticized for excessive CEO pay relative to performance. A study by The Corporate Library ("Pay for Failure: The Compensation Committees Responsible," March 31, 2006) singled out AT&T as one of eleven large U.S. companies "where the disconnect between pay and performance is particularly stark."

Edgar Filing: AT&T INC. - Form DEF 14A

The study notes that over the five fiscal years through 2005, then-CEO Edward Whitacre received \$85.2 million in compensation, while total shareholder return was *negative* 40.3%. The study stated that 100% LTIP payouts to Whitacre when "shareholder wealth has been diminished by a third over the period goes against common sense."

In our opinion, AT&T's executive pension and severance agreements stand out as unjustifiably costly.

Whitacre received a \$158.4 million pension package when he retired last June, the highest pension benefit for any U.S. chief executive, according to *Pensions & Investments* ("Pension Goldmine Awaits AT&T, Occidental CEOs," April 2, 2007). This included \$83.3 million in Senior Executive Retirement Plan (SERP) accumulations.

Whitacre's pension package was more than 25 times greater than the median combined pension and deferred compensation package of 485 public companies analyzed last year by the Corporate Library.

In case this platinum pension wasn't enough, Whitacre's golden parachute ("change in control severance payments") would have included \$23.2 million in lump sum severance, \$20.1 million in tax reimbursements, and \$67.6 million in accelerated performance share vesting "whether or not the executive's employment is terminated" (2007 proxy statement).

The Board also targeted Whitacre's base salary, target bonus and long-term equity at the 75th percentile of the market. According to Institutional Shareholder Services, "such practice has the Lake Wobegon effect of ratcheting CEO compensation since CEOs are like the children of Lake Wobegon, all of them are above average."

The board did not limit its generosity to Whitacre. After just 5 years at AT&T, former CEO David Dorman left with a yearly pension of \$2.1 million and his own \$25 million parachute. Compare this to the freezing of the AT&T's rank-and-file pension plan.

AT&T's new CEO, Randall Stephenson, continues the trend. His change in control severance package would be in excess of \$16.5 million.

Please vote FOR this proposal.

YOUR DIRECTORS' POSITION

Your Board of Directors believes that this proposal is not in the best interests of AT&T stockholders.

The process requested by the proposal is not necessary because AT&T already has an efficient and meaningful method of communicating with the Board of Directors. As discussed on page 3 under the heading "Board of Directors," stockholders and other interested parties may communicate with members of AT&T's Board of Directors, including the Lead Director, by writing to the Board, or a specific Committee Chair or director through the Office of the Secretary.

Edgar Filing: AT&T INC. - Form DEF 14A

We believe that direct communications between stockholders and the Board, including the Human Resources Committee, is a much more effective and accurate method of expressing support or criticism of AT&T's executive compensation practices. Unlike the vote advocated by the proposal, communicating directly with the Board will allow stockholders to voice any specific observations or objections to AT&T's executive compensation practices directly to the decision makers. Moreover, communicating directly with the Board will eliminate the need for the Human Resources Committee to speculate as to the meaning of stockholder approval or disapproval of the compensation set forth in the Company's proxy statement.

In addition, the vote recommended in the proposal would not provide any useful information to AT&T and members of the Human Resources Committee. If implemented, the stockholder proposal would require AT&T stockholders to vote "yes" or "no" on the compensation set forth in the Summary Compensation Table and the accompanying narrative disclosure. Contrary to the assertions in the supporting statement for the proposal, the process advocated by the proposal would not provide "useful feedback" on executive compensation, and it would not give AT&T stockholders the right to approve or disapprove of AT&T's executive compensation practices. The executive officers' compensation is composed of several different elements. Since the vote on the compensation would be either "yes" or "no" as a whole, the Committee would not have any information regarding which element the stockholders were voting against and what their specific objection was. The Committee would be forced to speculate regarding the stockholders' intent.

Moreover, the vote advocated by the proposal fails to recognize that AT&T already has in place a thoughtful, performance-based executive compensation program. AT&T's executive compensation program emphasizes the retention of key executives and the practice of appropriately rewarding key executives for positive results. The Human Resources Committee, which is composed entirely of independent directors, none of whom has an interest in the compensation decisions the Committee makes, oversees AT&T's executive compensation program. The Committee continually monitors the executive compensation program and adopts changes to reflect the dynamic, global marketplace in which AT&T competes for talent. AT&T will continue to emphasize pay-for-performance and equity-based incentive programs that reward executives for results that are consistent with stockholder interests.

Your Board of Directors does not believe the advisory vote called for by the stockholder proposal will enhance AT&T's compensation program. Instead of encouraging stockholders to take advantage of AT&T's current policies and procedures, the proposal advocates substituting a narrower and less effective mechanism.

*Your Board of Directors Recommends a
Vote "AGAINST" This Proposal.*

AUDIT COMMITTEE

AT&T has a separately designated standing Audit Committee. The Audit Committee oversees the integrity of AT&T's financial statements, the independent auditors' qualifications and independence, the performance of the internal audit function and independent auditors, and AT&T's compliance with legal and regulatory matters. The members of the Audit Committee are Mr. Madonna (Chairman), Mr. Aldinger, Dr. Amelio, and Mr. Kelly; each of whom was appointed by the Board of Directors. The Board has adopted a written charter for the Audit Committee, which may be viewed on the Company's web site at www.att.com. The Audit Committee is composed entirely of independent Directors in accordance with the applicable independence standards of the New York Stock Exchange and AT&T. The Board of Directors has determined that the simultaneous service of Mr. Madonna on the Audit Committee and the three other public company audit committees on which he now serves would not impair his ability to effectively serve on AT&T's Audit Committee.

The Board of Directors has determined that Mr. Madonna, Mr. Aldinger and Mr. Kelly are "audit committee financial experts" and are independent as defined in the listing standards of the New York Stock Exchange and in accordance with AT&T's additional standards. Although the Board of Directors has determined that these individuals have the requisite attributes defined under the rules of the Securities and Exchange Commission, their responsibilities are the same as those of the other Audit Committee members. They are not AT&T's auditors or accountants, do not perform "field work" and are not full-time employees. The Commission has determined that an audit committee member who is designated as an audit committee financial expert will not be deemed to be an "expert" for any purpose as a result of being identified as an audit committee financial expert. The Audit Committee is responsible for oversight of management in the preparation of AT&T's financial statements and financial disclosures. The Audit Committee relies on the information provided by management and the independent auditors. The Audit Committee does not have the duty to plan or conduct audits or to determine that AT&T's financial statements and disclosures are complete and accurate. AT&T's Audit Committee charter provides that these are the responsibility of management and the independent auditors.

Report of the Audit Committee

The Audit Committee: (1) reviewed and discussed with management AT&T's audited financial statements for the year ended December 31, 2007; (2) discussed with the independent auditors the matters required by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended by Statement on Auditing Standards No. 90, Audit Committee Communications; (3) received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees; and (4) discussed with the auditors the auditors' independence.

Edgar Filing: AT&T INC. - Form DEF 14A

Based on the review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements for the year ended December 31, 2007, be included in AT&T's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

February 14, 2008

The Audit Committee:
Jon C. Madonna, Chairman
William F. Aldinger III

Gilbert F. Amelio
James P. Kelly

Principal Accountant Fees and Services

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

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

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

The fees for services provided by Ernst & Young (all of which were pre-approved by the Audit Committee) to AT&T in 2007 and 2006 were as follows (*dollars in millions*):

Audit Fees were \$27.2 and \$20.0 for 2007 and 2006, respectively. Included in this category are fees for the annual financial statement audit, quarterly financial statement reviews, audits required by Federal and state regulatory bodies, statutory audits, and comfort letters.

Audit-Related Fees were \$2.3 and \$0.9 for 2007 and 2006, respectively. These fees, which are for assurance and related services other than those included in Audit Fees, include charges for employee benefit plan audits, SAS 70 attestations, consultations concerning financial accounting and reporting standards, and audits and due diligence in conjunction with proposed or consummated acquisitions and dispositions.

Tax Fees were \$4.3 and \$4.4 for 2007 and 2006, respectively. These fees include charges for various Federal, state, local and international tax compliance and research projects, as well as tax services for AT&T employees working in foreign countries.

All Other Fees were \$0.0 and less than \$0.1 for 2007 and 2006, respectively. The 2006 fees were paid to assist in producing tax records for a government request.

COMPENSATION DISCUSSION AND ANALYSIS

The Human Resources Committee, composed entirely of independent, non-employee Directors, is responsible for determining the compensation of our top executives, including the Named Executive Officers, and overseeing our overall management compensation practices. It also recommends new benefit plans to the Board when Board approval is required and acts as the administrator of certain of the Company's benefit plans. Its charter is available on our web site at www.att.com. No AT&T employee serves on this Committee. The current members of the Committee are: Dr. Amelio (Chairman), Mr. Aldinger, Mr. Blanchard, and Ms. Upton.

The Committee believes the best way to serve stockholders is to create a competitive compensation program that attracts and retains the best managers, rewards performance, and brings value to our stockholders. As part of this process, we set performance targets that are designed to create value for our stockholders and establish compensation programs that pay for achievement of the targets. The fundamental components of our compensation philosophy and program are straightforward.

The Committee seeks to:

Attract, retain and motivate officers and employees in a highly competitive market for talent.

Base a significant portion of compensation on performance.

Establish incentives that drive performance and add stockholder value.

Recognize the individual value of the executive to the business.

Use comparator groups to assist in making annual compensation decisions.

We utilize four basic elements to effectively achieve this philosophy:

Salary to pay a base compensation for taking on the day-to-day responsibilities of the position.

Annual incentive pay to motivate and reward for achieving short-term corporate and departmental goals. This aspect of compensation aligns officers' interests with corporate strategy and correlates pay with the achievement of business unit goals and, where appropriate, extraordinary individual efforts.

Long-Term incentive pay to reward executives for long-term Company performance.

Common types of benefits and perquisites to help the Company attract and retain key leadership and allow them to focus on the needs of the business.

Composition of 2007 Target Compensation

Edgar Filing: AT&T INC. - Form DEF 14A

We believe that our mix of compensation and incentives allows us to employ the officers with the necessary experience and expertise to manage the Company to create value for our stockholders. In the sections that follow we describe the process by which we set compensation and discuss the actual compensation for 2007.

Role of Compensation Consultant The Committee is authorized by its charter to employ independent compensation consultants and other advisors. It may also form and delegate authority to various subcommittees. Presently, the Committee employs CCA Strategies, a division of JPMorgan Compensation and Benefit Strategies to assist in evaluating our executive compensation and benefits on an ongoing basis. The consultant attends all Committee meetings and provides information, research and analysis pertaining to executive compensation and benefits as requested by the Committee. The consultant makes recommendations for establishing the market values of the top positions at our Company and regularly updates the Committee on market trends and changing compensation practices.

Setting Compensation Annually, the Committee meets to set compensation for the executive officers, including the Named Executive Officers, with the advice of the consultant. Where there has been a promotion or change in duties, the Committee may meet more often to adjust compensation. In setting compensation, the Committee reviews AT&T-specific market values recommended by the consultant for each executive position, along with compensation recommendations made by the Chief Executive Officer ("CEO") with respect to positions other than his own. The market values are comprised of a base salary component as well as short- and long-term incentive target award components.

In making market value recommendations the consultant gathers data from each of the comparator groups (see chart below) at the percentiles of the market assigned by the Committee. The use of multiple comparator groups increases the number of data points available for comparison, thereby increasing the reliability of the recommendation.

Comparator Groups Used by Compensation Consultant

<p>A comparator group of 20 companies in the technology, telecommunications and entertainment industries selected by the consultant in consultation with the Committee.</p>	<p>Boeing, Cisco Systems, Comcast, Dell, General Electric, Hewlett-Packard, Honeywell, IBM, Intel, Johnson Controls, Lockheed Martin, Microsoft, Motorola, News Corp, Qwest Communications, Sprint Nextel, Time Warner, United Technologies, Verizon Communications, Walt Disney</p>
<p>Top 50 companies included in the Fortune 500 index, adjusted to eliminate AT&T and investment banking, investment holding/management and privately owned companies</p>	<p>Albertson's, Allstate, Altria Group, AmerisourceBergen, Archer Daniels Midland, Boeing, Cardinal Health, Caremark Rx, Caterpillar, Chevron, ConocoPhillips, Costco Wholesale, CVS, Dell, Dow Chemical, Exxon Mobil, Ford Motor, General Electric, General Motors, Hewlett-Packard, Home Depot, IBM, Intel, Johnson & Johnson, Kroger, Lockheed Martin, Lowe's, Marathon Oil, McKesson, Medco Health Solutions, MetLife, Microsoft, Motorola, PepsiCo, Pfizer, Procter & Gamble, Safeway, Sears Holdings, Sprint Nextel, Target, Time Warner, United Parcel Service, United Technologies, UnitedHealth Group, Valero Energy, Verizon Communications, Walgreen, Wal-Mart Stores, Walt Disney, Wellpoint</p>
<p>Top 25 companies included in the Fortune 500 index, adjusted to eliminate AT&T and investment banking, investment holding/management and privately owned companies</p>	<p>Altria Group, AmerisourceBergen, Boeing, Cardinal Health, Chevron, ConocoPhillips, Costco Wholesale, Dell, Exxon Mobil, Ford Motor, General Electric, General Motors, Hewlett-Packard, Home Depot, IBM, Johnson & Johnson, Kroger, Marathon Oil, McKesson, Pfizer, Procter & Gamble, Target, Valero Energy, Verizon Communications, Wal-Mart Stores</p>
<p>Telecommunications and cable companies</p>	<p>Comcast, Motorola, Qwest Communications, Sprint Nextel, Time Warner, Verizon Communications</p>

Base salary and long-term target incentive awards are targeted to the 50th percentile, while short-term target incentive awards are targeted so that the total of salary and short-term incentive target approximates the 62nd percentile, consistent with our position as a market leader. We use incentive pay to focus executives on key business objectives and reward officers. Accordingly, we more heavily weight short-term incentive compensation in this manner to emphasize annual performance-based compensation over salary.

Percentiles of Market Used by Consultant

<p>Base Salary</p>	<p>50th percentile of the market</p>
<p>Total Annual Cash Compensation (Short-Term Incentive Target Plus Base Salary)</p>	<p>62nd percentile of the market</p>
<p>Long-Term Incentive Target Compensation</p>	<p>50th percentile of the market</p>

After reviewing the data from the comparator groups, the consultant applies his judgment and experience to the relevant data to make preliminary market value recommendations for each executive position. The consultant then meets with management, including the CEO, to obtain its views on the relative value of each position at AT&T as well as the differences in responsibilities between the AT&T positions and those in the comparator groups, and then recommends AT&T-specific market values for each executive position at AT&T, other than that of the CEO.

The consultant's recommendations on AT&T-specific market values, along with the CEO's compensation recommendations for each executive officer other than himself, are presented to the Committee. The CEO bases his compensation recommendations on his judgment of the skills,

experience, responsibility, and achievements of each executive officer, as well as their current compensation. The Committee believes that input from both the CEO and the consultant provides useful information and points of view to assist the Committee in determining executive officer compensation. With this information, the Committee applies its own judgment to establish compensation for the coming year, including salary and the amount and terms of the short- and long-term target awards. Executives with significant experience and responsibility, who demonstrate exemplary performance, may be paid more than the market rates for their position, while less experienced executives may be paid less than the market rates.

To determine the compensation for the CEO, the consultant considers the data from the comparator groups and makes recommendations at the same percentiles of the market as for other Named Executive Officers. Then, the Committee sets the compensation of the CEO by using its judgment of his skills, experience, responsibility, achievements and current compensation.

The Committee used this process in setting compensation for Mr. Stephenson, who became CEO in June 2007. After reviewing the consultant's market value recommendations, and using its judgment of the skills, experience, responsibility, achievements, and Mr. Stephenson's current compensation, the Committee increased his annual salary by \$249,000 to \$1,275,000 per year, increased his short-term incentive target by \$2,300,000 to \$4,250,000 (which additional amount will be prorated from the date of his appointment as CEO), and increased his long-term incentive grant value by approximately \$5.5 million to bring his total long-term to approximately \$11 million. Mr. Stephenson's new compensation was 85% of the market value recommended by the consultant.

The compensation for Mr. Whitacre, our prior CEO, was set in accordance with his 2001 employment contract, discussed on page 50, which required his total target compensation to be at least the amount awarded him in 2001. Other than a 6% increase in his short-term target incentive from the date of the contract through 2003, the Committee maintained his salary and short-term incentive target at substantially the same level as at the time of the contract. With respect to Mr. Whitacre's long-term incentive targets, other than special long-term incentives relating to future results from certain major acquisitions, the Committee also kept this amount substantially the same since the time of his contract. Mr. Whitacre retired from the Company in June 2007.

In October, Mr. de la Vega was appointed CEO of AT&T Mobility, replacing Mr. Sigman, and Mr. Stankey took over the regional wireline operations in addition to his corporate responsibilities, including information technology and operations support. Based on the recommendations of Mr. Stephenson and taking into account the new market values determined by the consultant, the Committee raised Mr. de la Vega's and Mr. Stankey's salaries to \$800,000 and target short-term bonuses to \$1.2 million (the additional amounts to be pro-rated from the date their responsibilities changed). In addition, the Committee desired to provide these two officers with generally comparable total long-term compensation by granting 7,138 additional performance shares to Mr. de la Vega and 4,759 additional performance shares to Mr. Stankey.

The Committee established Mr. Sigman's 2007 compensation in accordance with his employment contract with our AT&T Mobility subsidiary, discussed on page 51. Mr. Sigman retired from the Company in December 2007.

2007 Compensation

Summary AT&T uses a combination of salary, annual incentive bonus and long-term incentives as its principal compensation vehicles. In addition, as many other companies do, we provide health and retirement plans and other benefits.

Annual Base Salaries Base salaries are designed to attract, retain, motivate and reward skilled, experienced executives to operate the business. We emphasize performance based compensation for executive officers, so base salaries are typically less than either target annual bonuses or long-term awards.

Short-Term Incentives In 2007, the Committee used short-term incentives in the form of performance-based annual cash awards to compensate the Named Executive Officers for achievement of certain short-term objectives. The Committee established performance targets for the officers using financial and/or operational goals linking compensation to performance. The Committee establishes performance targets after reviewing our business plan and determining the short-term business metrics managers should focus on in order to drive results that benefit the Company and its stockholders. Because of the broad responsibilities of certain Named Executive Officers, such as the CEO and the Chief Financial Officer, their targets are tied to Company-wide measures. Other Named Executive Officers that are responsible for operating divisions are given targets tied to the operations for which they were responsible at the time of grant. If the performance target is achieved, the award is paid out at 100% (the "payout percentage"). If the Company achieves less than 100% of a performance target, the related award payout percentage is reduced on a sliding scale, or, if a minimum performance target is not achieved, no payout is made. Similarly, if the target is exceeded, the related award payout is increased up to a specified limit.

The following table sets out the various performance measures used for the short-term incentives for the Named Executive Officers. For each officer, the specific performance measures, their weightings, and the resulting 2007 payout percentages are also set out. In determining the actual payout percentage for an officer, the individual payout percentages for the performance measures are averaged, based on their weightings. The weighted average may not exceed 125%. The resulting percentage for the officer can be increased or decreased by up to five percentage points (the "revenue modifier," described in more detail below) based on the achievement of certain revenue goals, in which case the maximum payout percentage may exceed 125%. The final percentage is then applied against the officer's target short term award to determine his short-term incentive payout.

Performance Measures for Short-Term Awards for Named Executive Officers

Weightings By Officer

Performance Measure	Stephenson, Lindner, Miller, Stankey, Whitacre, Ellis			de la Vega (7)	Sigman	2007 Payout Percentage Achieved (6)(8)
Net Income	50%	20%	20%			111%
Free Cash Flow (1)	30%					125%
Wireline/Wireless Customer Satisfaction and Churn(2)	20%					107%
Regional Wireline Operating Contribution(3)			50%			100%
Regional Wireline Customer Satisfaction			15%			102%
22-State Wireline Customer Churn(4)			15%			83%
Wireless Operating Contribution(5)					20%	117%
Wireless AT&T Branded Net Additions					20%	118%
Wireless AT&T Branded Subscriber Average Revenue per Unit					20%	150%
Wireless AT&T Branded Churn					20%	97%

1. Net cash provided by operating activities less construction and capital expenditures.
2. Includes three measures: global business customer satisfaction, regional wireline customer satisfaction, and wireless branded customer churn.
3. Revenues from consumer and small and medium business, less direct expenses related to these operations.
4. Includes access line churn and broadband churn.
5. Wireless operating income plus equity in net income of wireless affiliates, less minority interests.
6. The payout percentage for each wireless measure may not exceed 150%; each non-wireless measure may not exceed 125%. After the payout percentage for each performance measure applicable to an officer is determined, they are averaged based on the weightings (set forth in the table above) applicable to that officer. The weighted average percentage payout for an officer may not exceed 125%, except as provided by the revenue modifier.
7. Mr. de la Vega was responsible for regional wireline operations until October 2007, when he was placed in charge of our wireless operations. At that time, Mr. Stankey added the regional wireline operations to his corporate responsibilities, including information technology and operations support. Because their positions changed so late in the year, the Committee determined not to change the performance measures for their short-term incentive targets. Their 2008 targets reflect their new responsibilities.
8. Set forth below are the financial and wireless branded net additions targets and results.

Performance Measure	Target (\$ in millions unless otherwise indicated)	Actual Results (\$ in millions unless otherwise indicated)	Range of Performance Target Achievement Eligible for Award Payout
---------------------	---	---	--

Edgar Filing: AT&T INC. - Form DEF 14A

Net Income	\$11,120	\$11,959	55% to 115%
Free Cash Flow	\$13,198	\$16,364	55% to 115%
Regional Wireline Operating Contribution	\$14,204	\$14,214	55% to 115%
Wireless Operating Contribution	\$6,962	\$7,199	90% to 110%
Wireless AT&T Branded Net Additions	4,789,516	5,294,249	70% to 130%
	subscribers	subscribers	

As noted above the Company exceeded all of its short-term financial and wireless net subscriber targets. The Company significantly exceeded its free cash flow target and had strong results in net income, wireless operating contribution, and net subscriber additions under the AT&T brand. In

determining our net income achievements, we excluded the effects of our acquisition of Dobson Communications Corporation.

The table in footnote 8 does not include the following operational measures: customer satisfaction, customer churn or wireless branded subscriber average revenue per unit ("Wireless Branded ARPU"). The Company set the targets for these measures by looking at our 2006 results and setting our 2007 targets with a moderate increase in performance. As a result, we believe the targets were challenging. During 2007, the Company exceeded its Wireless Branded ARPU and customer satisfaction targets, and had less than a 100% achievement of its churn targets.

In addition, the Committee also provided that the payout percentage would be adjusted by a "revenue modifier" that would subtract or add up to 5 percentage points to the payout percentage, depending on achievement of the 2007 adjusted revenue target of \$118.9 billion. If the Company achieved the target, there would be no effect on the payouts; achievements running from 2.5% below to 1.5% above the target reduce or increase the payouts, respectively, by up to 5 percentage points. In 2007, we realized adjusted revenues of \$119.8 billion, exceeding the target and causing the percentage payouts for each of the Named Executive Officers to increase by 2.5%. (The revenue amounts were adjusted to reflect changes in accounting methodologies in connection with the acquisition of BellSouth and to exclude the effects of the acquisition of Dobson Communications Corporation.)

The Committee also issued discretionary bonuses for 2007 to the Named Executive Officers. The Committee recognized that the Company had very good performance in 2007 and that Mr. Stephenson was an essential part of that achievement. Accordingly, the Committee made a discretionary bonus award to Mr. Stephenson of \$648,750, which brought his total award for 2007 (discretionary award and short-term incentive award) to \$4.5 million. In addition, Mr. Stephenson recommended and the Committee approved discretionary bonuses for each of the other active Named Executive Officers based on his overall judgment of their achievements. These discretionary awards are shown in the "Summary Compensation Table" under "Bonuses." Mr. Sigman received a bonus of \$160,000 determined in accordance with his employment contract, described under his employment contract on page 51.

While the Committee is not limited in its ability to make discretionary bonus payments, it attempts to pay any such awards in accordance with Section 162(m) of the Internal Revenue Code, which permits a Company to deduct compensation over \$1 million paid to the CEO or the three most highly paid Named Executive Officers only if the payment is made pursuant to a performance-based award under a stockholder approved plan. At the time the Committee sets performance objectives and payout targets for short-term incentives, it also sets the maximum award that may be made if the same performance objectives are achieved. This includes not only the performance-based award but also any discretionary award. The maximum award is subject to the same conditions as the target payout: if the targets are not met, then the maximum award is reduced or eliminated; if the targets are exceeded, a greater amount may be awarded. The Committee is not obligated to make discretionary bonuses, and it uses these bonuses to reward exceptional performance. For 2007 the Committee set maximum award limits of \$15 million for Mr. Whitacre, \$4.5 million for Mr. Stephenson, and \$2 million for each of the other Named Executive Officers. The discretionary bonuses paid for 2007 were within these limits (as noted above, Mr. Whitacre received no discretionary bonus) and are set out under Bonuses in the "Summary Compensation Table."

Long-Term Incentives Introduction The Committee grants performance shares to the Named Executive Officers as a long-term incentive. Performance shares granted in 2007 are shown under "Estimated Future Payouts Under Equity Incentive Plan Awards" in the "Grants of Plan-Based Awards" table. A performance share is equal in value to one share of our stock and is paid out at the end of the performance period (typically three years) based on the extent to which the performance goals are met. Officers also receive dividend equivalents on the performance shares equal to the dividends on our common stock.

The value of performance shares fluctuates directly with changes in the price of our stock, which aligns managers' interests directly with stockholders' interests. Performance shares are paid out only to the extent that specific financial and/or operational objectives are achieved. No payout is made if minimum objectives are not met. Depending on the terms of the grant, payouts are made in a combination of cash and stock or in cash alone; payouts made in whole or in part in cash reduce dilution caused by the payout of stock alone. Performance shares paid in cash are valued at the price of a share of AT&T common stock at the date of the approval of the payout of the award. The Committee also grants awards having the same terms as performance shares, including circumstances where there would be insufficient performance shares under the relevant plan available for such a grant, in which case the awards are payable only in cash. For all other purposes, we do not differentiate between these types of performance share awards. In the event of the termination of employment of an officer holding performance shares, unless the recipient is retirement eligible, the recipient may receive no more than a pro-rata portion of the award. An officer may be retirement eligible for purposes of performance shares if the officer meets the "modified rule of 75," which requires certain combinations of age and service that total at least 75 or if the officer is age 55 or older with at least five years of service. Retirees are eligible to receive the same payout as i