AT&T INC.
Form 11-K
June 22, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)
FORM 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-8610

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

AT&T LONG TERM SAVINGS AND SECURITY PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

AT&T INC.

175 E. Houston, San Antonio, Texas 78205

Financial Statements, Supplemental Schedules and Exhibit

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Plan Administrator of the

AT&T Long Term Savings and Security Plan

We have audited the financial statements of the AT&T Long Term Savings and Security Plan as of December 31, 2006 and 2005, and for the year ended December 31, 2006, as listed in the accompanying contents page. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of AT&T Long Term Savings and Security Plan as of December 31, 2006 and 2005, and the changes in its net assets available for benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

San Antonio, Texas

June 22, 2007

AT&T LONG TERM SAVINGS AND SECURITY PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

(Dollars in Thousands)

	December 31, **2006**	2005
ASSETS		
Investments, at fair value:		
Investment in Master Trust	**$ 1,312,995**	$ 1,276,662
Participant loans receivable	**31,933**	32,410
Total Assets, at fair value	**1,344,928**	1,309,072
Adjustment from fair value to contract value for interest in Master Trust relating to fully benefit- responsive investment contracts	**4,932**	1,083
Net Assets Available for Benefits	**$ 1,349,860**	$ 1,310,155

See Notes to Financial Statements.

AT&T LONG TERM SAVINGS AND SECURITY PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Dollars in Thousands)

Net Assets Available for Benefits, December 31, 2005	$	1,310,155
Additions to Net Assets:		
Contributions:		
Participant contributions		36,716
Employer contributions		13,976
Other		7
		50,699
Investment Income:		
Net income from investment in Master Trust		136,232
Interest on participant loans		1,620
		137,852
Total Additions		188,551
Deductions from Net Assets:		
Distributions		147,763
Transfers to the AT&T Long Term Savings		
Plan for Management Employees		876
Administrative expenses		207
Total Deductions		148,846
Net Increase		39,705
Net Assets Available for Benefits, December 31, 2006	$	1,349,860

See Notes to Financial Statements.

AT&T LONG TERM SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS

(Dollars in Thousands)

1. Plan Description The AT&T Long Term Savings and Security Plan (Plan) is a defined contribution plan established by AT&T Corp. (ATTC) to provide a convenient way for eligible non-management employees of participating ATTC companies to save on a regular and long-term basis. The following description of the Plan provides only general information. The Plan has detailed provisions covering participant eligibility, participant allotments from pay, participant withdrawals, participant loans, employer contributions and related vesting of contributions and Plan expenses. The Plan documents include complete descriptions of these and other Plan provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

On November 18, 2005, ATTC was acquired by AT&T Inc. (AT&T or the Company), formerly known as SBC Communications Inc. As a result of the acquisition, the AT&T Corp. common stock held in the AT&T Stock Fund was converted to AT&T common stock based on a conversion ratio.

The Plan participates in the AT&T Savings Master Trust (Master Trust) for the investment of the pooled assets of various funds. Each participating plan has an undivided interest in the Master Trust. The trustee of the Master Trust is State Street Bank and Trust Company (State Street). (See Note 5)

Participants can invest their contributions in one or more of twenty-six different funds as set forth in the current Plan documents. An employee may designate allotments as pre-tax allotments, after-tax allotments or as a combination of pre-tax and after-tax allotments. All participant contributions and earnings thereon are immediately vested and are not subject to forfeiture. A participant becomes 100% vested in the employing company contributions after three years of vesting service. Employer contributions are made in accordance with the participant s elected investment direction. The Plan provides that Employer contributions associated with a participant s contribution to the International Brotherhood of Electrical Workers (IBEW) Sponsored Trust for Savings be invested in the AT&T Stock Fund and then are immediately available for participant redistribution. Employees who are age 50 or older on or before December 31 may be eligible to make pre-tax contributions beyond the Internal Revenue Service (IRS) pre-tax limit. No employing company contribution is made on catch-up contributions.

Loans are available to all participants in an amount not less than $1 and up to a maximum of 50% of the participant s vested account balance or $50 minus the participant s highest outstanding loan balance in the last twelve months. Upon default participants are considered to have received a distribution and are subject to income taxes on the distributed amount. Beginning on August 24, 2005, as a result of Hurricanes Katrina, Rita, and Wilma, and in response to new federal laws and IRS guidance, the Plan was also permitted to provide loans of up to $100 for certain eligible participants, and was also permitted to delay, for specified periods of time, the required loan repayment amounts for certain eligible participants entitled to disaster relief. Loan transactions are treated as a transfer to (from) the investment funds from (to) the Participant Loan Account and shall not exceed fifty-six months. The loans are collateralized by the balance in the participant s account and bear interest at the prime rate on the last business day of the month preceding the month in which the loan was initiated, or at a rate as otherwise approved by the Savings Plan Committee. Interest rates are fixed for the term of the loans and ranged from 4.00% to 9.50% on participant loans outstanding at December 31, 2006

Also as a result of Hurricanes Katrina, Rita, and Wilma and in response to new federal laws and IRS guidance, the Plan was also permitted to provide for expedited hardship withdrawals to eligible participants. Such withdrawals are not subject to the 10% excise tax on premature withdrawals and are taxable over a period of three years, and may be repaid (or recontributed) into the Plan as rollover contributions, if such contributions are made within three years of the withdrawal.

AT&T LONG TERM SAVINGS AND SECURITY PLAN

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(Dollars in Thousands)

Participant forfeitures in 2006 were $1. The total forfeited non-vested accounts were $1,047 as of December 31, 2006 and $987 as of December 31, 2005. Forfeitures may be used to reduce future employer contributions and administrative expenses. During 2006, no employer contributions were reduced by forfeitures.

Although it has not expressed any intent to do so, AT&T has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, the Plan provides that the net assets are to be distributed to participating employees in amounts equal to their respective interest in such assets.

2. Accounting Policies The accompanying financial statements were prepared in conformity with U.S. generally accepted accounting principles, which require management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The most significant estimates relate to the valuation of the investments. Benefits are recorded when paid. Income and assets of the Master Trust are allocated to the Plan based on participant balances. Certain amounts in prior-year financial statements have been reclassified to conform to the current year s presentation.

The net asset value of the Master Trust is calculated by State Street, which determines the value of the underlying assets in the investment manager portfolios taking into account the market values supplied by a recognized pricing or quotation services or quotations furnished by one or more reputable sources, such as securities brokers, dealers or investment bankers, mutual fund administrators, values of comparable property, appraisals or other relevant information. Investments in AT&T common shares and other securities listed on national stock exchanges are carried at fair value determined on the basis of the last published sales price per share on the last business day of the year. Securities traded in over-the-counter markets are carried at fair value based on the last bid prices or closing prices on December 31, as listed in published sources if available or, if not available, from other sources considered reliable. All investments are carried at the fair value at the close of the business day on December 31. For contracts with insurance companies and financial institutions, which are fully benefit-responsive, an adjustment to contract value (representing contributions made under the contracts plus accumulated interest at the contract rates) is separately identified on the Statement of Net Assets Available for Benefits. Participant loans receivable are valued at cost which approximates fair value. Participant loans are assets of the Plan and are not part of the Master Trust. Purchases and sales of securities are recorded on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned.

In December 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (FSP). The FSP defines the circumstances in which an investment contract is considered fully benefit responsive and provides certain reporting and disclosure requirement for fully benefit-responsive investment contracts in defined contribution health and welfare and pension plans. The financial statement presentation and disclosure provision of the FSP are effective for financial statements issued for annual periods ending after December 15, 2006 and are required to be applied retroactively to all prior periods presented for comparative purposes. The Plan adopted the provisions of the FSP at December 31, 2006.

As required by the FSP, investments in the accompanying Statements of Net Assets Available for Benefits include fully benefit-responsive investment contracts recognized at fair value. AICPA Statement of Position 94-4, Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Pension Plans, as amended, requires fully benefit-responsive investment contracts to be reported at fair value in the Plan s statements of Net Assets Available for Benefits with a corresponding adjustment to reflect these investments at contract value. The requirements of the FSP have been applied retroactively to the Statement of Net Assets Available for Benefits as of

December 31, 2005 presented for comparative purposes. Adoption of the FSP had no effect on the Statement of Changes in Net Assets Available for Benefits for any period presented.

3. Tax Status The IRS has determined and informed AT&T by a letter dated March 28, 2005, that the Plan, restated effective January 1, 2001, with amendments through February 28, 2002, and related trust are qualified in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since February 28, 2002. However, the plan administrator believes that the Plan is qualified and is currently being operated in compliance with the applicable requirements of the IRC. Since the Plan and its associated trust are

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(Dollars in Thousands)

tax-exempt under the IRC, no provision for income taxes has been included in the Plan s financial statements.

4. Plan Expenses In general, fees paid for Plan administration, including recordkeeping (except for such services as are attributable to the participant loan program), are paid from the Master Trust, unless those expenses are paid by the Company or participant(s). Fees for State Street s services are paid out of Master Trust assets. Expenses attributable to the management and investment of each of the investment funds are charged against those respective funds.

5. Master Trust Investments The Master Trust investments presented as of December 31 are those held by State Street, as trustee, of the AT&T Savings Master Trust.

Type of Master Trust Investment

	2006	2005
Short-term securities	**$ 13,179**	$ 11,730
Common stocks	**1,008,878**	855,818
Mutual funds	**3,440,944**	3,204,651
Commingled funds	**1,455,784**	1,355,098
Investment contracts (at fair value):		
Guaranteed investment contracts	**136,056**	185,499
Synthetic investment contracts		
Short-term investments	**62,116**	114,898
Asset-backed securities	**711,685**	600,718
Consumer loans receivable	**283,673**	317,164
Corporate bonds	**809,478**	728,350
Government securities	**890,859**	1,066,806
Derivatives	**71**	79
Unsettled trades and other	**(164,082)**	(142,197)
Wrap Contract	**-**	-
Cash	**3,160**	5,105
Unsettled trades and other	**949**	(1,142)
Master trust investments at fair value	**8,652,750**	8,302,577
Adjustment from fair value to contract value for fully		
benefit-responsive investment contracts	**22,255**	4,885
	$ 8,675,005	$ 8,307,462

Allocation of Master Trust Investments

	2006	2005
AT&T Long Term Savings Plan for Management Employees	**83.97 %**	83.96 %
AT&T Long Term Savings and Security Plan	**15.19**	15.38
AT&T Retirement Savings and Profit Sharing Plan	**0.77**	0.59
AT&T of Puerto Rico, Inc. Long Term Savings Plan for		0.06

Management Employees	**0.06**			
AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan	**0.01**		0.01	
	100.00	**%**	100.00	%

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AT&T LONG TERM SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS

(Dollars in Thousands)

Net Appreciation in Fair Value of Master Trust Investments and Total Investment Income