

AT&T INC.  
Form 424B5  
February 02, 2007

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SEC File No. 333-118476

Prospectus Supplement (To prospectus dated May 24, 2005)

U.S.\$1,500,000,000  
**AT&T Inc.**

Floating Rate Notes due 2010

We will pay interest on the Floating Rate Notes due 2010 (the Floating Rate Notes ) at a rate equal to the Applicable LIBOR Rate, reset quarterly, plus 10 basis points, on February 5, May 5, August 5 and November 5 of each year. The first such payment will be made on May 5, 2007.

The Floating Rate Notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000.

Concurrently with this offering, AT&T Inc. will be offering U.S.\$500,000,000 of its 5.625% Global Notes due 2016 (the 2016 Notes ) as part of a separate offering.

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

	Per Floating Rate Note	Total
Initial public offering price	100.000%	\$ 1,500,000,000
Underwriting discount	0.175%	\$ 2,625,000
Proceeds, before expenses, to AT&T(1)	99.825%	\$ 1,497,375,000

(1) The underwriters have agreed to reimburse us for certain of our expenses. See Underwriting.

The initial public offering price set forth above does not include accrued interest. Interest on the Floating Rate Notes will accrue from February 6, 2007 and must be paid by the purchasers if the Floating Rate Notes are delivered after February 6, 2007.

The underwriters expect to deliver the Floating Rate Notes through the facilities of The Depository Trust Company, Clearstream and Euroclear against payment in New York, New York on February 6, 2007.

*Joint Book-Running Managers*

**Banc of America Securities LLC**

**Lehman Brothers**

*Co-Managers*

**Credit Suisse  
UBS Investment Bank**

**Goldman, Sachs & Co.  
Utendahl Capital Group, L.L.C.**

**RBS Greenwich Capital  
The Williams Capital Group, L.P.**

Prospectus Supplement dated February 1, 2007.

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**You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is accurate as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.**

To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information contained in this prospectus supplement shall control. If any statement in this prospectus supplement conflicts with any statement in a document which we have incorporated by reference, then you should consider only the statement in the more recent document.

In this prospectus supplement, we, our, us and AT&T refer to AT&T Inc. and its consolidated subsidiaries.

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**SUMMARY OF THE OFFERING**

Issuer	AT&T Inc. (formerly known as SBC Communications Inc. ( SBC ))
Securities Offered	U.S.\$1,500,000,000 principal amount of Floating Rate Notes due 2010.
Maturity Date	February 5, 2010.
Interest Rate	The Floating Rate Notes will bear interest from February 6, 2007 at a floating rate equal to the Applicable LIBOR Rate, reset quarterly, plus 10 basis points, payable quarterly in arrears in four equal payments.
Interest Payment Dates	February 5, May 5, August 5 and November 5 of each year, commencing on May 5, 2007.
Markets	The Floating Rate Notes are offered for sale in those jurisdictions in the United States, Europe and Asia where it is legal to make such offers. See Underwriting.
No Listing	The Floating Rate Notes are not being listed on any organized exchange or market.
Form and Settlement	The Floating Rate Notes will be issued in the form of one or more fully registered global notes which will be deposited with, or on behalf of, The Depository Trust Company known as DTC as the depository, and registered in the name of Cede & Co., DTC's nominee. Beneficial interests in the global notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global notes through either DTC (in the United States), Clearstream Banking, Société Anonyme, or Euroclear Bank S.A./N.V., as operator of the Euroclear System (outside of the United States), if they are participants in these systems, or indirectly through organizations which are participants in these systems. Cross-market transfers between persons holding directly or indirectly through DTC participants, on the one hand, and directly or indirectly through Clearstream or Euroclear participants, on the other hand, will be effected in accordance with DTC rules on behalf of the relevant international clearing system by its U.S. depository.
Governing Law	The Floating Rate Notes will be governed by the laws of the State of New York.

**Table of Contents****USE OF PROCEEDS**

The net proceeds to AT&T from the Floating Rate Notes offering and the concurrent 2016 Notes offering will be approximately \$1.99 billion, after deducting underwriting discounts and commissions and estimated offering expenses. These proceeds will be used for general corporate purposes, including repurchases of our common stock under our previously announced stock repurchase plan.

**CAPITALIZATION**

The following table sets forth the capitalization of AT&T as of December 31, 2006 and as adjusted solely to reflect the issuance of \$1.5 billion of the Floating Rate Notes and \$500,000,000 of the concurrently offered 2016 Notes, net of the underwriting discount and estimated offering expenses, and the application of the net proceeds as described under *Use of Proceeds* above, assuming that the net proceeds from the sale of the two series of notes would be used in part to repurchase shares of AT&T common stock. AT&T's total capital consists of debt (long-term debt and debt maturing within one year) and shareowners' equity. This table reflects certain unaudited consolidated financial information for the year ended December 31, 2006 that was included in our Current Report on Form 8-K filed on January 30, 2007 and assumes that 50% of the proceeds will be used to repurchase company stock at the January 31, 2007 closing price of \$37.63, with the remainder of the proceeds used to repay current borrowings.

	<b>As of December 31, 2006</b>	
	<b>Actual (Unaudited)</b>	<b>As adjusted (Unaudited)</b>
	<b>(in millions)</b>	
Long-term debt	\$ 51,169	\$ 53,169
Debt maturing within one year(1)	9,737	8,739
Shareowners' equity:		
Common shares (\$1 par value, 7,000,000,000 authorized; 6,495,231,088 issued)	6,495	6,495
Capital in excess of par value	91,058	91,058
Retained earnings	30,375	30,375
Treasury shares (282,994,559 at cost)	(7,368)	(8,366)
Other adjustments(2)	(5,314)	(5,314)
Shareowners' equity	\$ 115,246	\$ 114,248
<b>Total Capitalization</b>	<b>\$ 176,152</b>	<b>\$ 176,156</b>

(1) Debt maturing within one year consists principally of the current portion of long-term debt, and commercial paper and other short-term borrowings.

(2) Other adjustments do not reflect any adjustment to other comprehensive income that would result from the difference in amount of the payments to utilize interest rate locks from the amounts included in other

comprehensive income as of December 31, 2006 which reflected interest rates at that time.

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**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth AT&T's ratio of earnings to fixed charges for each of the periods indicated. At December 31, 2006, no preferred stock was outstanding.

	<b>Year Ended December 31,</b>				<b>Pro Forma</b>
<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Year Ended December 31, 2006</b>
6.20	6.55	6.32	4.11	5.01	4.26

For the purpose of calculating this ratio, earnings consist of income before income taxes, extraordinary items, cumulative effect of changes in accounting principles, interest expense, dividends on preferred securities and one-third of rental expense (the portion of rentals representative of the interest factor). Fixed charges include total interest charges on indebtedness, dividends on preferred securities and one-third of rental expense.

The pro forma calculation of ratios of earnings to fixed charges is derived from the historical consolidated financial statements of AT&T and BellSouth Corporation ( BLS ) using the purchase method of accounting. AT&T is treated as the acquirer and assumes the acquisition of BLS had been completed on January 1, 2005. Further pro forma income information is included in AT&T's Current Report on Form 8-K filed on January 30, 2007. For purposes of calculating this ratio, the undistributed earnings from equity investments held by BLS are included.

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**DESCRIPTION OF THE NOTES**

The following description of the general terms of the Floating Rate Notes should be read in conjunction with the statements under Description of Debt Securities We May Offer in the accompanying prospectus. If this summary differs in any way from the Summary Description of the Securities We May Issue in the accompanying prospectus, you should rely on this summary.

**General**

The Floating Rate Notes will be issued under our indenture with The Bank of New York, acting as trustee, as described under Description of Debt Securities We May Offer in the accompanying prospectus. The Floating Rate Notes will be our unsecured and unsubordinated obligations and will rank *pari passu* with all other indebtedness issued under our indenture. The Floating Rate Notes will constitute one series under the indenture. We will issue the Floating Rate Notes in fully registered form only and in minimum denominations of \$2,000 and integral multiples of \$1,000 thereafter.

We may issue definitive notes in the limited circumstances set forth in Form and Title below. If we issue definitive notes, principal of and interest on our notes will be payable in the manner described below, the transfer of our notes will be registrable, and our notes will be exchangeable for notes bearing identical terms and provisions, at the office of The Bank of New York, the paying agent and registrar for our notes, currently located at 101 Barclay Street, New York, New York 10286. However, payment of interest, other than interest at maturity, may be made by check mailed to the address of the person entitled to the interest as it appears on the security register at the close of business on the regular record date corresponding to the relevant interest payment date. Notwithstanding this, (1) the depository, as holder of our notes, or (2) a holder of more than \$5 million in aggregate principal amount of notes in definitive form can require the paying agent to make payments of interest, other than interest due at maturity, by wire transfer of immediately available funds into an account maintained by the holder in the United States, by sending appropriate wire transfer instructions as long as the paying agent receives the instructions not less than ten days prior to the applicable interest payment date. The principal and interest payable in U.S. dollars on a note at maturity will be paid by wire transfer of immediately available funds against presentation of a note at the office of the paying agent.

For purposes of the Floating Rate Notes, a business day means a business day in The City of New York and London.

***The Notes***

The Floating Rate Notes will initially be limited to \$1,500,000,000 aggregate principal amount and will mature on February 5, 2010 (the Floating Rate Maturity Date).

The Floating Rate Notes will bear interest from February 6, 2007 at a floating rate determined in the manner provided below, payable on February 5, May 5, August 5 and November 5 of each year (each such day a Floating Rate Interest Payment Date), commencing on May 5, 2007, to the persons in whose names the Floating Rate Notes were registered at the close of business on the 15th day preceding the respective Floating Rate Interest Payment Date, subject to certain exceptions.

The per annum interest rate on the Floating Rate Notes (the Floating Interest Rate) in effect for each day of a Floating Rate Interest Period (as defined below) will be equal to the Applicable LIBOR Rate plus 10 basis points (0.1%). The Floating Interest Rate for each Floating Rate Interest Period for the Floating Rate Notes will be set on February 5, May 5, August 5 and November 5 of each year, and will be set for the initial Floating Rate Interest Period on

February 6, 2007 (each such date a Floating Interest Rate Reset Date ) until the principal on the Floating Rate Notes is paid or made available for payment (the Floating Rate Principal Payment Date ). If any Floating Rate Interest Reset Date (other than the initial Floating Rate Interest Reset Date occurring on February 6, 2007) and Floating Rate Interest Payment Date for the Floating Rate Notes would otherwise be a day that is not a LIBOR Business Day, such Floating Rate Interest Reset Date and Floating Rate Interest Payment Date shall be the next succeeding LIBOR Business Day, unless the next succeeding LIBOR Business Day is in the next succeeding calendar month, in which case such Floating Rate

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Interest Reset Date and Floating Rate Interest Payment Date shall be the immediately preceding LIBOR Business Day.

LIBOR Business Day means any day that is not a Saturday or Sunday and that, in The City of New York or the City of London, is not a day on which banking institutions are generally authorized or obligated by law to close.

Floating Rate Interest Period shall mean the period from and including a Floating Rate Interest Reset Date to but excluding the next succeeding Floating Rate Interest Reset Date and, in the case of the last such period, from and including the Floating Rate Interest Reset Date immediately preceding the Floating Rate Maturity Date or Floating Rate Principal Payment Date, as the case may be, to but not including such Floating Rate Maturity Date or Floating Rate Principal Payment Date, as the case may be. If the Floating Rate Principal Payment Date or Floating Rate Maturity Date is not a LIBOR Business Day, then the principal amount of the Floating Rate Notes plus accrued and unpaid interest thereon shall be paid on the next succeeding Business Day and no interest shall accrue for the Floating Rate Maturity Date, Floating Rate Principal Payment Date or any day thereafter.

The Applicable LIBOR Rate shall mean the rate determined in accordance with the following provisions:

(i) On the second day on which dealings in deposits in U.S. dollars are transacted in the London interbank market preceding each Floating Rate Interest Reset Date (each such date an Interest Determination Date), The Bank of New York (the Reference Agent), as agent for AT&T, will determine the Applicable LIBOR Rate which shall be the rate for deposits in U.S. dollars having a maturity of three months, which appears on the Telerate Page 3750 as of 11:00 a.m., London time, on such Interest Determination Date. Telerate Page 3750 means the display page so designed on Moneyline Telerate, Inc. (or such other page as may replace that page on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits). If the Applicable LIBOR Rate on such Interest Determination Date does not appear on the Telerate Page 3750, the Applicable LIBOR Rate will be determined as described in (ii) below.

(ii) With respect to an Interest Determination Date for which the Applicable LIBOR Rate does not appear on the Telerate Page 3750 as specified in (i) above, the Applicable LIBOR Rate will be determined on the basis of the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market selected by the Reference Agent (the Reference Banks) at approximately 11:00 a.m., London time, on such Interest Determination Date to prime banks in the London interbank market having a maturity of three months, and in a principal amount equal to an amount of not less than U.S.\$1,000,000 that is representative for a single transaction in such market at such time. The Reference Agent will request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Applicable LIBOR Rate on such Interest Determination Date will be the arithmetic mean (rounded upwards, if necessary, to the nearest one hundred-thousandth of a percentage point, with 5 one-millionths of a percentage point rounded upwards) of such quotations. If fewer than two quotations are provided, the Applicable LIBOR Rate on such Interest Determination Date will be the arithmetic mean (rounded upwards, if necessary, to the nearest one hundred-thousandth of a percentage point, with 5 one-millionths of a percentage point rounded upwards) of the rates quoted by three major banks in New York City selected by the Reference Agent at approximately 11:00 a.m., New York City time, on such Interest Determination Date for loans in U.S. dollars to leading European banks, having a maturity of three months, and in a principal amount equal to an amount of not less than U.S.\$1,000,000 that is representative for a single transaction in such market at such time; *provided, however*, that if the banks in New York City selected as aforesaid by the Reference Agent are not quoting as mentioned in this sentence, the relevant Floating Interest Rate for the Floating Rate Interest Period commencing on the Floating Rate Interest Reset Date following such Interest Determination Date will be the Floating Interest Rate in effect on such Interest Determination Date.



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The amount of interest for each day that the Floating Rate Notes are outstanding (the Daily Interest Amount ) will be calculated by dividing the Floating Interest Rate in effect for such day by 360 and multiplying the result by the principal amount of the Floating Rate Notes. The amount of interest to be paid on the Floating Rate Notes for any Floating Rate Interest Period will be calculated by adding the Daily Interest Amounts for each day in such Floating Rate Interest Period.

The Floating Interest Rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

The Floating Interest Rate and amount of interest to be paid on the Floating Rate Notes for each Interest Period will be determined by the Reference Agent. All calculations made by the Reference Agent shall in the absence of manifest error be conclusive for all purposes and binding on AT&T and the holders of the Floating Rate Notes. So long as the Applicable LIBOR Rate is required to be determined with respect to the Floating Rate Notes, there will at all times be a Reference Agent. In the event that any then acting Reference Agent shall be unable or unwilling to act, or that such Reference Agent shall fail duly to establish the Applicable LIBOR Rate for any Floating Rate Interest Period, or that AT&T proposes to remove such Reference Agent, AT&T shall appoint itself or another person which is a bank, trust company, investment banking firm or other financial institution to act as the Reference Agent.

## **Form and Title**

The Floating Rate Notes will be issued in the form of one or more fully registered global notes which will be deposited with, or on behalf of, The Depository Trust Company, known as DTC, as the depository, and registered in the name of Cede & Co., DTC's nominee. Beneficial interests in the global notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global notes through either DTC (in the United States), Clearstream Banking, Société Anonyme, which we refer to as Clearstream Luxembourg, or Euroclear Bank S.A./N.V., as operator of the Euroclear System (outside of the United States), if they are participants in these systems, or indirectly through organizations which are participants in these systems. Clearstream Luxembourg and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream Luxembourg's and Euroclear's names on the books of their respective depositories, which in turn will hold these interests in customers' securities accounts in the names of their respective U.S. depositories on the books of DTC. Citibank, N.A. will act as the U.S. depository for Clearstream Luxembourg, and JPMorgan Chase Bank, N.A. will act as the U.S. depository for Euroclear. Except under circumstances described below, our notes will not be issuable in definitive form. The laws of some states require that certain purchasers of securities take physical delivery of their securities in definitive form. These limits and laws may impair the ability to transfer beneficial interests in the global notes.

So long as the depository or its nominee is the registered owner of the global notes, the depository or its nominee will be considered the sole owner or holder of our notes represented by the global notes for all purposes under the indenture. Except as provided below, owners of beneficial interests in the global notes will not be entitled to have notes represented by the global notes registered in their names, will not receive or be entitled to receive physical delivery of notes in definitive form and will not be considered the owners or holders thereof under the indenture.

Principal and interest payments on notes registered in the name of the depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the global notes. None of us, the trustee, any paying agent or registrar for our notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in the global notes or for maintaining, supervising or reviewing any records relating to these beneficial interests.

We expect that the depository for our notes or its nominee, upon receipt of any payment of principal or interest, will credit the participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global notes as shown on the records of the depository or its nominee. We also expect that payments by participants to owners of beneficial interest in the global notes held through these participants will be governed by standing instructions and customary practices, as is now the

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case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of these participants.

If the depository is at any time unwilling or unable to continue as depository and a successor depository is not appointed by us within 90 days, we will issue notes in definitive form in exchange for the global notes. We will also issue notes in definitive form in exchange for the global notes if an event of default has occurred with regard to the Floating Rate Notes represented by the global notes and has not been cured or waived. In addition, we may at any time and in our sole discretion determine not to have the Floating Rate Notes represented by the global notes and, in that event, will issue the Floating Rate Notes in definitive form in exchange for the global notes. In any such instance, an owner of a beneficial interest in the global notes will be entitled to physical delivery in definitive form of notes represented by the global notes equal in principal amount to such beneficial interest and to have such notes registered in its name. Notes so issued in definitive form will be issued as registered notes in minimum denominations of \$2,000 and integral multiples of \$1,000 thereafter, unless otherwise specified by us. Our definitive notes can be transferred by presentation for registration to the registrar at its New York office and must be duly endorsed by the holder or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer in form satisfactory to us or the trustee duly executed by the holder or his attorney duly authorized in writing. We may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of definitive notes.

## **The Clearing Systems**

*DTC.* The depository has advised us as follows: the depository is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. The depository holds securities deposited with it by its participants and facilitates the settlement of transactions among its participants in such securities through electronic computerized book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The depository's participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own the depository. Access to the depository's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

According to the depository, the foregoing information with respect to the depository has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

*Clearstream Luxembourg.* Clearstream Luxembourg advises that it is incorporated under the laws of Luxembourg as a professional depository. Clearstream Luxembourg holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream Luxembourg participants through electronic book-entry changes in accounts of Clearstream Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream Luxembourg provides to Clearstream Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream Luxembourg participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with

a Clearstream Luxembourg participant either directly or indirectly.

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Distributions with respect to the Floating Rate Notes held beneficially through Clearstream Luxembourg will be credited to cash accounts of Clearstream Luxembourg participants in accordance with its rules and procedures, to the extent received by the U.S. depository for Clearstream Luxembourg.

*Euroclear.* Euroclear has advised that it was created in 1968 to hold securities for its participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, eliminating the need for physical movement of certificates and eliminating any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. The Euroclear System is owned by Euroclear Clearance System Public Limited Company (ECSplc) and operated through a license agreement by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium as the Euroclear operator.

The Euroclear operator holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries.

The Euroclear operator provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Non-participants of Euroclear may hold and transfer book-entry interests in the securities through accounts with a direct participant of Euroclear or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and the Euroclear operator.

The Euroclear operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related operating procedures of the Euroclear System, and applicable Belgian law, which are collectively referred to as the terms and conditions. The terms and conditions govern transfers of notes and cash within Euroclear, withdrawals of notes and cash from Euroclear, and receipts of payments with respect to notes in Euroclear. All notes in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to the Floating Rate Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions, to the extent received by the U.S. depository for Euroclear.

## **Global Clearance and Settlement Procedures**

Initial settlement for the Floating Rate Notes will be made in same-day U.S. dollar funds.

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules. Secondary market trading between Clearstream Luxembourg participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream Luxembourg and

Euroclear and will be settled using the procedures applicable to conventional eurobonds.

Cross-market transfers between persons holding directly or indirectly through DTC participants, on the one hand, and directly or indirectly through Clearstream Luxembourg or Euroclear participants, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of the relevant international clearing system by its U.S. depositary. However, cross-market transactions will require delivery of instructions to the relevant international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant international clearing system

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will, if a transaction meets its settlement requirements, deliver instructions to its U.S. depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC. Clearstream Luxembourg participants and Euroclear participants may not deliver instructions directly to the respective U.S. depository.

Because of time-zone differences, credits of notes received in Clearstream Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. These credits or any transactions in the Floating Rate Notes settled during the processing will be reported to the relevant Clearstream Luxembourg or Euroclear participants on that business day. Cash received in Clearstream Luxembourg or Euroclear as a result of sales of notes by or through a Clearstream Luxembourg participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream Luxembourg or Euroclear cash account only as of the business day following settlement in DTC.

Although it is expected that DTC, Clearstream Luxembourg and Euroclear will follow the foregoing procedures in order to facilitate transfers of notes among participants of DTC, Clearstream Luxembourg and Euroclear, they are under no obligation to perform or continue such procedures and such procedures may be changed or discontinued at any time.

## **Payment of Additional Amounts**

We will, subject to the exceptions and limitations set forth below, pay as additional interest on the Floating Rate Notes such additional amounts as are necessary so that the net payment by us or a paying agent of the principal of and interest on the Floating Rate Notes to a person that is a United States alien holder (as defined under the heading **United States Tax Considerations – United States Alien Holders** below), after deduction for any present or future tax, assessment or governmental charge of the United States or a political subdivision or taxing authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount that would have been payable in respect of the Floating Rate Notes had no withholding or deduction been required.

Our obligation to pay additional amounts shall not apply:

(1) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner, or a fiduciary, settlor, beneficiary or member of the beneficial owner if the beneficial owner is an estate, trust or partnership, or a person holding a power over an estate or trust administered by a fiduciary holder:

(a) is or was present or engaged in trade or business in the United States or has or had a permanent establishment in the United States;

(b) is or was a citizen or resident or is or was treated as a resident of the United States;

(c) is or was a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States or is or was a corporation that has accumulated earnings to avoid United States federal income tax; or

(d) is or was a 10-percent shareholder of AT&T;

(2) to any holder that is not the sole beneficial owner of the Floating Rate Notes, or a portion thereof, or that is a fiduciary or partnership, but only to the extent that the beneficial owner, a beneficiary or settlor with respect to the fiduciary, or a member of the partnership would not have been entitled to the payment of an additional amount had such beneficial owner, beneficiary, settlor or member received directly its beneficial or distributive share of the

payment;

(3) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Floating Rate Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the

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United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or governmental charge that is imposed other than by deduction or withholding by AT&T or a paying agent from the payment;

(5) to any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later;

(6) to an estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or any similar tax, assessment or governmental charge;

(7) to any tax, assessment or other governmental charge any paying agent (which term may include us) must withhold from any payment of principal of or interest on any note, if such payment can be made without such withholding by any other paying agent; or

(8) in the case of any combination of the above items.

The Floating Rate Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable. Except as specifically provided under this heading **Payment of Additional Amounts** and under the heading **Redemption Upon a Tax Event**, we do not have to make any payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority.

In particular, we will not pay additional amounts on any note

where withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Council Directive 2003/48/EC of June 3, 2003 on the taxation of savings income in the form of interest payments, or any law implementing or complying with, or introduced in order to conform to, that Directive; or

presented for payment by or on behalf of a beneficial owner who would have been able to avoid the withholding or deduction by presenting the relevant global note to another paying agent in a member state of the European Union.

**Redemption Upon a Tax Event**

If (a) we become or will become obligated to pay additional amounts as described herein under the heading **Payment of Additional Amounts** as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States (or any political subdivision or taxing authority thereof or therein), or any change in, or amendments to, any official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after the date of this prospectus supplement, or (b) a taxing authority of the United States takes an action on or after the date of this prospectus supplement, whether or not with respect to us or any of our affiliates, that results in a substantial probability that we will or may be required to pay such additional amounts, then we may, at our option, redeem, as a whole, but not in part, the Floating Rate Notes on any interest payment date on not less than 30 nor more than 60 calendar days prior notice, at a redemption price equal to 100% of their principal amount, together with interest accrued thereon to the date fixed for redemption. However, we may determine, in our business judgment, that the obligation to pay these additional amounts cannot be avoided by the use of reasonable measures available to us, not including substitution of the obligor under the Floating Rate Notes. No redemption pursuant to (b) above may be made

unless we shall have received an opinion of independent counsel to the effect that an act taken by a taxing authority of the United States results in a substantial probability that we will or may be required to pay the additional amounts described herein under the heading Payment of Additional Amounts and we shall have delivered to the trustee a certificate, signed by a duly authorized officer, stating that based on such opinion we are entitled to redeem the Floating Rate Notes pursuant to their terms.

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**Further Issues**

We may from time to time, without notice to or the consent of the holders of the Floating Rate Notes, create and issue further notes ranking equally and ratably with the Floating Rate Notes in all respects, or in all respects except for the payment of interest accruing prior to the issue date or except for the first payment of interest following the issue date of those further notes. Any further notes will have the same terms as to status, redemption or otherwise as the Floating Rate Notes. Any further notes shall be issued pursuant to a resolution of our board of directors, a supplement to the indenture, or under an officers certificate pursuant to the indenture.

**Notices**

Notices to holders of the Floating Rate Notes will be published in authorized newspapers in The City of New York and in London. It is expected that publication will be made in The City of New York in *The Wall Street Journal* and in London in the *Financial Times*. We will be deemed to have given this notice on the date of each publication or, if published more than once, on the date of the first publication.

**Prescription Period**

Any money that we deposit with the trustee or any paying agent for the payment of principal or any interest on any global note of any series that remains unclaimed for two years after the date upon which the principal and interest are due and payable will be repaid to us upon our request unless otherwise required by mandatory provisions of any applicable unclaimed property law. After that time, unless otherwise required by mandatory provisions of any unclaimed property law, the holder of the global note will be able to seek any payment to which that holder may be entitled to collect only from us.

**Governing Law**

The Floating Rate Notes will be governed by and interpreted in accordance with the laws of the State of New York.

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**UNITED STATES TAX CONSIDERATIONS**

This section describes the material United States federal income tax consequences of owning the Floating Rate Notes we are offering. It applies to you only if you acquire notes in the offering at the offering price and you hold your notes as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that owns notes that are a hedge or that are hedged against interest rate risks,
- a person that owns notes as part of a straddle or conversion transaction for tax purposes, or
- a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If you purchase notes at a price other than the offering price, the amortizable bond premium or market discount rules may also apply to you. You should consult your tax advisor regarding this possibility.

*Please consult your tax advisor concerning the consequences of owning these notes, in your particular circumstances, under the Internal Revenue Code and the laws of any other taxing jurisdiction.*

**United States Holders**

This subsection describes the United States federal income tax consequences to a United States holder. You are a United States holder if you are the beneficial owner of a note and you are:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this subsection does not apply to you and you should refer to United States Alien Holders below.

*Payments of Interest.* You will be taxed on interest on your note as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes, except that an amount of your first interest payment that equals the amount of accrued but unpaid interest on the date you acquire your notes will be treated as a non-taxable return of capital.

*Purchase, Sale and Retirement of the Notes.* Your tax basis in your note generally will be its cost, but will be reduced by any amount that is attributable to accrued but unpaid interest on the date you acquire your note and that has actually been paid to you. You will generally recognize capital gain or loss on the sale or retirement of your note equal to the difference between the amounts you realize on the sale or retirement, excluding any amounts attributable to accrued but unpaid interest, and your tax basis in your note. Capital

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gain of a non-corporate United States holder that is recognized before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year.

**United States Alien Holders**

This subsection describes the United States federal income tax consequences to a United States alien holder. You are a United States alien holder if you are the beneficial owner of a note and you are, for United States federal income tax purposes:

a nonresident alien individual,

a foreign corporation, or

an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a note.

If you are a United States holder, this subsection does not apply to you.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien holder of a note:

we and other U.S. payors generally will not be required to deduct United States withholding tax from payments of principal, premium, if any, and interest, to you if, in the case of payments of interest:

1. you do not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote,
2. you are not a controlled foreign corporation that is related to us through stock ownership, and
3. the United States payor does not have actual knowledge or reason to know that you are a United States person and: