

AT&T INC.  
Form DEF 14A  
March 11, 2010  
Table of Contents

**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 the transaction applies:

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

(3) Per unit price or other underlying value of the 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):

(4) Proposed maximum aggregate value of the 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:

**Table of Contents**

**2010**

**Notice of Annual Meeting  
and Proxy Statement**

**When:** 9:00 a.m., Eastern time, Friday, April 30, 2010

**Where:** The Chattanooga Hotel, 1201 S. Broad St., Chattanooga, TN

**Items of Business:** Election of 12 Directors

Ratification of Ernst & Young LLP as independent auditors

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

**Who can vote:** Holders of AT&T Inc. common stock of record at the close of business on March 2, 2010, are entitled to vote at the meeting and any adjournment of the meeting.

**Voting by proxy:** 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.

By Order of the Board of Directors.

Ann Effinger Meuleman

Senior Vice President and Secretary

March 11, 2010

**Table of Contents**

# Proxy Statement

**Important notice regarding the availability of proxy materials  
for the stockholder meeting to be held on April 30, 2010:**

**The proxy statement and annual report to security holders are  
available at [www.edocumentview.com/att](http://www.edocumentview.com/att).**

	<b>Page</b>
<b><u>General Information</u></b>	1
<b><u>Board of Directors</u></b>	3
<u>Board Committees</u>	6
<u>Independence of Directors</u>	7
<u>Compensation of Directors</u>	8
<u>Director Compensation Table</u>	10
<b><u>Related Person Transactions</u></b>	11
<b><u>Common Stock Ownership</u></b>	12
<b><u>Matters To Be Voted Upon</u></b>	13
<u>Election of Directors</u>	14
<u>Ratification of the Appointment of Ernst &amp; Young LLP as Independent Auditors</u>	18
<u>Stockholder Proposals</u>	19
<b><u>Audit Committee</u></b>	26
<u>Report of the Audit Committee</u>	26
<u>Principal Accountant Fees and Services</u>	27
<b><u>Compensation Discussion and Analysis</u></b>	28
<u>Executive Summary and Overview</u>	28
<u>Compensation Design</u>	31
<u>2009 Compensation</u>	37
<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
<b><u>Compensation Tables</u></b>	46
<u>Summary Compensation Table</u>	46
<u>Grants of Plan-Based Awards Table</u>	48
<u>Employment Contracts</u>	48
<u>Outstanding Equity Awards at December 31, 2009 Table</u>	49
<u>Option Exercises and Stock Vested During 2009 Table</u>	51
<u>Pension Benefits (Estimated for 12/31/09) Table</u>	52
<u>Pension Benefits and Other Post-Employment Compensation</u>	53
<u>Nonqualified Deferred Compensation Table</u>	58
<u>Potential Payments upon Termination or Change in Control</u>	61
<b><u>Other Business</u></b>	63

---

**Table of Contents**

**General Information**

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 2010 Annual Meeting of Stockholders of AT&T. The meeting will be held at 9:00 a.m. Eastern time on Friday, April 30, 2010, at The Chattanooga Hotel, 1201 S. Broad Street, Chattanooga, Tennessee.

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, 2010, 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 March 2, 2010. These materials are also available at [www.edocumentview.com/att](http://www.edocumentview.com/att). Each share entitles the registered holder to one vote. As of January 29, 2010, there were 5,902,074,438 shares of AT&T common stock outstanding.

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, One AT&T Plaza, 208 S. Akard Street, Dallas, Texas 75202.

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.

If a stockholder participates in the plans listed below 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.

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.

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.

---

**Table of Contents**

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 and Security Plan, the AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan, the AT&T Puerto Rico Savings Plan, the AT&T Puerto Rico Retirement Savings Plan, the AT&T Retirement Savings Plan, and the BellSouth Savings and Security Plan. Subject to the trustee's fiduciary obligations, shares in each of the above employee benefit plans for which voting instructions are not received will not be voted. To allow sufficient time for voting by the trustees and/or administrators of the plans, your voting instructions must be received by April 27, 2010.

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.

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.

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 \$19,500, 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.

**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.**

---

**Table of Contents**

**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 give them more detailed views of our businesses and matters that affect our businesses, corporate opportunities, technology, and operations.

Assessing and managing risk is the responsibility of the management of AT&T. The Board of Directors oversees and reviews certain aspects of the Company's risk management efforts. Annually, the Board reviews the Company's strategic business plans, which includes evaluating the objectives of and risks associated with these plans (e.g., competitive, technology, economic, etc.).

In addition, under its charter, the Audit Committee reviews and discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. Members of the Finance and Compliance groups are responsible for managing risk in their areas and reporting regularly to the Audit Committee.

The Company's chief audit executive meets annually in executive session with the Audit Committee. The chief audit executive reviews with the Audit Committee each year's annual internal audit plan, which is focused on significant areas of financial, operating, and compliance risk. The Audit Committee also receives regular reports on completed internal audits of these significant risk areas.

The Finance/Pension Committee reviews policies designed by management regarding financial and market risk and actions taken by management to control the risk (e.g., the nature and extent of insurance coverage, interest rate and foreign currency exposure, counterparty risk, etc.).

Members of the Board are expected to attend Board meetings in person, unless the meeting is held by teleconference. The Board held eight meetings in 2009. 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 2009 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. Jon C. Madonna currently serves as Lead Director; his term is scheduled to expire January 31, 2012.

Responsibilities of the Lead Director include:

- Leading the non-management Directors in executive session,
- Preparing the agenda 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,



**Table of Contents**

Establishing together with the Chairman and Chief Executive Officer the agenda for each Board meeting, 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 Lead Director may:

Call meetings of the non-management Directors in addition to the quarterly meetings,  
Approve the addition of any item to the agenda for any Board meeting, and  
Require information relating to any matter be distributed to the Board.

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.

Randall Stephenson currently serves as both Chairman of the Board and Chief Executive Officer. The Board believes that having Mr. Stephenson serve in both capacities is in the best interests of AT&T and its stockholders because it enhances communication between the Board and management and allows Mr. Stephenson to more effectively execute the Company's strategic initiatives and business plans and confront its challenges. The Board believes that the appointment of an independent Lead Director and the use of regular executive sessions of the non-management Directors, along with the Board's strong committee system and substantial majority of independent Directors, allow it to maintain effective oversight of management.

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.

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. Although the Committee does not have a formal diversity policy, it believes that diversity is an important factor in determining the composition of the Board. Stockholders who wish to suggest qualified candidates should write to the Senior Vice President and Secretary, AT&T Inc., 208 S. Akard Street, Suite 3241, Dallas, Texas 75202, stating in detail the qualifications of the persons proposed for consideration by the Committee.

**Table of Contents**

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 15 Directors, one of whom is an executive officer of AT&T. We have included biographical information about each continuing Director on pages 13-18. 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 12 persons listed in this Proxy Statement, beginning on page 13, 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, August A. Busch III and Mary S. Metz will not stand for re-election at the 2010 Annual Meeting. In addition, William F. Aldinger III has declined to stand for re-election at the 2010 Annual Meeting. Consequently, the Board has voted to reduce its size to 12 Directors effective immediately before the meeting. There are no vacancies on the Board.

**Table of Contents****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](http://www.att.com).

Committee	Members	Functions and Additional Information	Meetings in 2009
Audit	Jon C. Madonna, Chairman  William F. Aldinger III *  Jaime Chico Pardo  James P. Kelly	Consists of four independent Directors. Oversees the integrity of our financial statements, the independent auditor's qualifications and independence, the performance of internal audit function and independent auditors, and our compliance with legal and regulatory matters, including environmental matters. 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.	13
Corporate	James H. Blanchard, Chairman	Consists of five independent Directors. Reviews mergers, acquisitions, dispositions and similar transactions.	3
Development	August A. Busch III *  Jaime Chico Pardo  Jon C. Madonna  Laura D. Andrea Tyson		
Corporate	August A. Busch III, Chairman *	Consists of six independent Directors. 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. 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. Takes a leadership role in shaping corporate governance and oversees an annual evaluation of the Board.	4
Governance and Nominating	James P. Kelly  Lynn M. Martin  John B. McCoy  Mary S. Metz *  Joyce M. Roché		
Executive	Randall L. Stephenson, Chairman  Gilbert F. Amelio  Reuben V. Anderson  James H. Blanchard  August A. Busch III *  Jon C. Madonna  John B. McCoy	Consists of the Chairman of the Board and the chairpersons of our six other standing committees. Established to assist the Board by acting upon matters when the Board is not in session. Has 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.	0
Finance/	John B. McCoy, Chairman	Consists of four independent Directors. 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.	4
Pension	Reuben V. Anderson		

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

Lynn M. Martin

Human Resources	Laura D. Andrea Tyson Gilbert F. Amelio, Chairman  William F. Aldinger III *  James H. Blanchard  Patricia P. Upton	Consists of four independent Directors. Oversees the compensation practices of AT&T, including the design and administration of employee benefit plans. Responsible for establishing the compensation of the Chief Executive Office and the other executive officers, establishing stock ownership guidelines for officers and developing a management succession plan.	6
Public Policy	Reuben V. Anderson, Chairman  Gilbert F. Amelio  Mary S. Metz *  Joyce M. Roché  Patricia P. Upton	Consists of five independent Directors. Assists the Board in its oversight of policies related to corporate social responsibility, as well as political and charitable contributions.	3

\*Retiring effective April 30, 2010.

---

**Table of Contents**

**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 \$120,000 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);

(a) The Director is a current partner or employee of a firm that is our internal or external auditor; (b) the Director has an immediate family member who is a current partner of such a firm; (c) the Director has an immediate family member who is a current employee of such a firm and personally works on our audit; or (d) the Director or an immediate family member was within the last three years 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](http://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.

---

## **Table of Contents**

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, Jaime Chico Pardo, James P. Kelly, Jon C. Madonna, Lynn M. Martin, John B. McCoy, Mary S. Metz, Joyce M. Roché, Laura D. Andrea Tyson and Patricia P. Upton. Each member of the Audit Committee, the Corporate Governance and Nominating Committee, and the Human Resources 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, Lynn M. Martin, John B. McCoy, Mary S. Metz, and Joyce M. Roché. Under its charter (available on our web site at [www.att.com](http://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 Total Rewards Strategies, LLC, an employee benefits and compensation consulting firm (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 Total Rewards 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. Retainers may be taken in cash or invested in AT&T stock.

Under the AT&T Non-Employee Director Stock and Deferral Plan (the Director Deferral Plan), Directors may 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 in cash in a lump sum or in up to 15 annual installments, at the Director's election, after the Director ceases service with the Board. 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, received an

---

**Table of Contents**

additional annual grant of \$13,000 in the form of deferred stock units, limited to ten annual grants; the final grants were made in 2009. The annual grants are fully earned and vested at issuance. These deferred stock units are paid out in cash at the same time 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 10 under the heading Change in Pension Value and Nonqualified 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 an annual pension equal to 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 ten years. The payments will continue for the life of the Director. If the Director dies before receiving ten years of payments, the Director's beneficiaries will receive the payments for the remainder of the ten-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 ten-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 the BellSouth Corporation Directors' Compensation Deferral Plan, which was no longer offered after 2006. 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.

In addition, under the BellSouth Nonqualified Deferred Compensation Plan offered to BellSouth Directors prior to its acquisition, Directors were permitted to make up to five annual deferrals of up to 100% of their compensation. For deferrals made for the 1995 and 1996 plan years, the plan returned the original deferred amount in the 7th year after the deferral year. Interim distributions were not made with respect to subsequent deferral periods. For deferrals made for the 1995 through 1999 plan years, Directors received fixed interest rates of 16%, 12.7%, 12.8%, 12.4% and 11.8%, respectively. Distributions are made at times elected by the Directors. BellSouth discontinued offering new deferrals beginning in 2000.

**Table of Contents****Director Compensation**

Director	Fees Earned or Paid in Cash (1)	Stock Awards (2) (3)	Change in Pension Value and Nonqualified Deferred		Total
			Compensation Earnings (4)	All Other Compensation (5)	
	(\$)	(\$)	(\$)	(\$)	(\$)
William F. Aldinger III	136,300	127,500	0	20,269	284,069
Gilbert F. Amelio	159,500	127,500	1,553	4,753	293,306
Reuben V. Anderson	119,900	127,500	55,694	2,193	305,287
James H. Blanchard	124,500	127,500	50,932	19,793	322,725
August A. Busch III	119,900	127,500	9,831	6,791	264,022
Jaime Chico Pardo	125,700	127,500	0	102	253,302
James P. Kelly	133,400	127,500	98	2,090	263,088
Jon C. Madonna	151,700	127,500	0	3,876	283,076
Lynn M. Martin	116,900	140,500	0	3,494	260,894
John B. McCoy	121,600	140,500	0	21,939	284,039
Mary S. Metz	114,900	127,500	3,648	19,063	265,111
Joyce M. Roché	113,200	127,500	0	4,464	245,164
Laura D. Andrea Tyson	111,200	140,500	4,160	4,330	260,190
Patricia P. Upton	119,500	127,500	15,808	4,221	267,029

1. The following table shows the number of deferred stock units purchased in 2009 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 Purchased in 2009	Director	Deferred Stock Units Purchased in 2009
Gilbert F. Amelio	6,236	John B. McCoy	4,785
Reuben V. Anderson	3,526	Mary Metz	4,481
August A. Busch III	4,691	Joyce M. Roché	1,665
James P. Kelly	1,882		

2. This represents an annual grant of deferred stock units that are immediately vested, valued using the grant date value in accordance with FASB ASC Topic 718, and deferred. The deferred stock units will be paid out in cash after the Director ceases his or her service with the Board at the times elected by the Director.

3.



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

Mr. Madonna holds 2,496 options that were originally granted by AT&T Corp. while he served on the Board of Directors of AT&T Corp. before its acquisition by AT&T Inc. (then known as SBC Communications Inc.). Similarly, Mr. Anderson, Mr. Blanchard, and Mr. Kelly hold 43,478 options, 51,734 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 amounts shown for Mr. Busch and Ms. Upton represent the total change in the actuarial present value of their pension during 2009. (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.
  
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 2009, a total of \$58,000 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. Aldinger \$15,000, Mr. Blanchard \$15,000, Mr. McCoy \$15,000 and Dr. Metz \$13,000.

---

**Table of Contents**

**Related Person Transactions**

Under the rules of the SEC, 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 2009, a brother of Ronald E. Spears (President and Chief Executive Officer, AT&T Business Solutions) was employed by a subsidiary with an approximate rate of pay, including commissions, of less than \$200,000. This rate of pay is similar to those paid for comparable positions at the Company. The employment of this person was approved by the Corporate Governance and Nominating Committee under the Company's Related Party Transactions Policy.

Since mid-2009 the Company has been distributing copies of the book *Obstacles Welcome: How to Turn Adversity into Advantage in Business and in Life*, by Ralph de la Vega (President and Chief Executive Officer, AT&T Mobility and Consumer Markets) to participants in the AT&T/Junior Achievement Worldwide Job Shadow Initiative, which is part of the AT&T Aspire program. The AT&T Aspire program is an education initiative offered by the AT&T Foundation to provide grants focused on high school retention programs and better preparing students for college and the workforce. The AT&T Foundation has committed a total of \$100 million in grants to schools and non-profit organizations under the Aspire program through 2011. For purposes of this program, the publisher prints an Aspire edition of the book at a reduced rate. *Mr. de la Vega has declined all profits from the Aspire edition.* AT&T expects to spend approximately \$225,000 through mid-2011 in purchasing copies of the Aspire edition. While Mr. de la Vega receives no direct benefit from these purchases and thus the transactions do not constitute

**Table of Contents**

Related Person Transactions, these purchases were reviewed and approved by the Corporate Governance and Nominating Committee under the Company's Related Party Transactions Policy because of the importance of the program.

**Common Stock Ownership**

The following table lists the beneficial ownership of AT&T common stock and non-voting stock units as of December 31, 2009, 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	33,735	19,351	Laura D. Andrea Tyson	11,648	52,354
Gilbert F. Amelio	5,402	85,039	Patricia P. Upton	14,759	47,740
Reuben V. Anderson	64,418	19,935	Randall L. Stephenson	1,700,500	150,876
James H. Blanchard	119,655	14,501	Richard G. Lindner	397,849	89,981
August A. Busch III (3)	146,354	134,912	James W. Cicconi	553,379	0
Jaime Chico Pardo	50,000	5,135	Rafael de la Vega	489,416	10,208
James P. Kelly	47,066	17,410	John T. Stankey	254,183	41,857
Jon C. Madonna	17,069	16,896			
Lynn M. Martin	4,973	48,129	All executive officers		
John B. McCoy	31,584	92,515	and Directors as a		
Mary S. Metz	4,284	58,362	group (consisting of		
Joyce M. Roché	2,041	74,784	26 persons, including		
			those named above)	6,292,343	1,161,272

- 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 executive officers hold the following numbers of options: Mr. Anderson 43,478, Mr. Blanchard 51,734, Mr. Kelly 41,099, Mr. Madonna 2,496, Mr. Stephenson 1,288,555, Mr. Lindner 265,147, Mr. Cicconi 504,358, Mr. de la Vega 435,340, Mr. Stankey 172,775, and all executive officers and Directors as a group 4,267,142. 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: Mr. Aldinger 5,000, Dr. Amelio 5,382, Mr. Blanchard 390, Mr. Busch 6,600, Mr. Madonna 14,573, Mr. McCoy 1,316, Dr. Metz 797, Dr. Tyson 11,648, Ms. Upton 5,025, Mr. Stephenson 410,553, Mr. Lindner 131,890, Mr. de la Vega 53,591, and Mr. Stankey 79,358.
- Represents number of vested stock units held by the Director or executive officer, where each stock unit is equal in value to one share of 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.



---

**Table of Contents**

**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 SEC 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 2010 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 2010 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 NYSE, 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 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 2010 Annual Meeting, brokers will be prohibited from exercising discretionary authority with respect to the election of Directors and each of the stockholder proposals (Items 3 through 9). Because broker non-votes are not included in the vote, they will have no effect on the vote for the election of the Directors or any of the stockholder proposals.

---

**Table of Contents**
**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 2011 Annual Meeting. In making these nominations, the Board reviewed the background of the nominees (each nominee's biography is set out below) and determined to nominate each of the current Directors for re-election, other than the retiring Directors.

The Board believes that each nominee has valuable individual skills and experiences that, taken together, provide us with the variety and depth of knowledge, judgment and vision necessary to provide effective oversight of a large and varied enterprise like AT&T. As indicated in the following biographies, the nominees have extensive experience in a variety of fields, including telecommunications (Mr. Chico and Mr. Stephenson), technology (Dr. Amelio, Mr. Chico, Mr. Madonna and Mr. Stephenson), public accounting (Mr. Madonna), education (Ms. Martin and Dr. Tyson), economics (Dr. Tyson), financial services (Mr. Blanchard and Mr. McCoy), law (Mr. Anderson), consumer marketing (Dr. Amelio, Mr. Blanchard, Mr. Kelly, Mr. McCoy, Ms. Roché, Mr. Stephenson and Ms. Upton), transportation and logistics (Mr. Kelly), labor (Ms. Martin), academic research (Dr. Tyson), consulting (Dr. Amelio, Mr. Madonna, Ms. Martin and Dr. Tyson) and nonprofit organizations (Ms. Roché), each of which the Board believes provides valuable knowledge about important elements of AT&T's business. A number of the nominees also have extensive experience in international business and affairs (Mr. Chico, Mr. Kelly, Mr. Madonna and Dr. Tyson), which the Board believes affords it an important global perspective in its deliberations.

The Board also believes that, as indicated in the following biographies, the nominees have each demonstrated significant leadership skills as a chief executive officer (Dr. Amelio, Mr. Blanchard, Mr. Chico, Mr. Kelly, Mr. Madonna, Mr. McCoy, Ms. Roché, Mr. Stephenson and Ms. Upton), as a senior partner of a prominent law firm (Mr. Anderson) or in government, including Congressional and Cabinet service (Ms. Martin), service as Chair of the White House Council of Economic Advisers and as National Economic Adviser to the President of the United States (Dr. Tyson), and service as a State Supreme Court Justice (Mr. Anderson). All the nominees have significant experience in the oversight of large public companies due to their service as directors of AT&T and other companies. In addition, many of our Directors served on the boards of large telecommunications companies that we acquired. These Directors provide historical perspective on the acquired companies, facilitate integration and continuity, and provide direction for the combined businesses. The Board believes that these skills and experiences qualify each nominee to serve as a Director of AT&T.

**RANDALL L. STEPHENSON**, age 49, is Chairman of the Board, Chief Executive Officer and President of AT&T Inc. and has served in this capacity since June 2007. Mr. Stephenson has held a variety of high-level finance, operational, and marketing positions with AT&T, including serving as Chief Operating Officer from 2004 until his appointment as Chief Executive Officer in 2007 and as Chief Financial Officer from 2001 to 2004. He began his career with the Company in 1982. Mr. Stephenson received his B.S. in accounting from Central State University and earned his Master of Accountancy degree from the University of Oklahoma. He is the Chairman of the Executive Committee. He has been a Director of AT&T since 2005. Mr. Stephenson is a Director of Emerson Electric Co.

---

**Table of Contents**

**GILBERT F. AMELIO**, age 67, who began his career at AT&T Bell Laboratories, is Senior Partner of Sienna Ventures (a privately-held venture capital firm in Sausalito, California) and has acted in this capacity since 2001. Dr. Amelio was Chairman and Chief Executive Officer of Jazz Technologies, Inc. (an analog-intensive mixed-signal semiconductor foundry solutions company) from 2005 until 2008 (at which time he was named Chairman Emeritus). Dr. Amelio was Chairman and Chief Executive Officer of Beneventure Capital, LLC (a 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 1997 to 2004. Prior to that, he served as Chief Executive Officer of Apple Computer Inc. from 1996 to 1997 and National Semiconductor Corporation from 1991 to 1996. Dr. Amelio is responsible for a number of patents. Dr. Amelio graduated from Georgia Institute of Technology where he earned his B.S., M.S. and Ph.D. degrees in physics. He was elected a Director of AT&T in 2001 and had previously served as an Advisory Director of AT&T from 1997 to 2001. He served as a Director of Pacific Telesis Group from 1995 until the company was acquired by AT&T (then known as SBC Communications Inc.) in 1997. He is the Chairman of the Human Resources Committee and a member of the Executive Committee and the Public Policy Committee. He is a Director of Pro-Pharmaceuticals, Inc. He previously served as a Director of Jazz Technologies, Inc. (2005-2008) and SiVault Systems, Inc. (2005). In 2008, Acquicor Management LLC (a former shareholder of Jazz Technologies, Inc.), where Dr. Amelio has served as the sole managing member since 2005, declared bankruptcy. 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 2004, declared bankruptcy.

**REUBEN V. ANDERSON**, age 67, 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 practices in the areas of commercial and tort litigation and regulatory and governance matters. Prior to that, Mr. Anderson served as a judge in Mississippi for 15 years, including serving as a Mississippi Supreme Court Justice from 1985 to 1990. Mr. Anderson received his B.A. from Tougaloo College and his J.D. from University of Mississippi School of Law. Mr. Anderson was elected a Director of AT&T in 2006. He served as a Director of BellSouth Corporation from 1994 until the company was acquired by AT&T in 2006. He is the Chairman of the Public Policy Committee and a member of the Executive Committee and the Finance/Pension Committee. Mr. Anderson is a Director of The Kroger Co. He previously served as a Director of Burlington Resources, Inc. (2001-2006); Mississippi Chemical Corporation (2000-2005); and Trustmark Corporation (1978-2009).

**JAMES H. BLANCHARD**, age 68, was Chairman of the Board of Synovus Financial Corp. (a diversified financial services holding company in Columbus, Georgia) and served in this capacity from 2005 to 2006. Mr. Blanchard has over 35 years of finance and banking experience. He served as Chief Executive Officer of Synovus Financial Corp. from 1971 to 2005. Mr. Blanchard received his B.B.A. in business administration and his L.L.B. from University of Georgia. Mr. Blanchard was elected a Director of AT&T in 2006. He served as a Director of BellSouth Corporation from 1994 until the company was acquired by AT&T in 2006. He previously served as a Director of BellSouth Telecommunications Inc. from 1988 to 1994. He is the Chairman of the Corporate Development Committee and a member of the Executive Committee and the Human Resources Committee. Mr. Blanchard is a Director of Synovus Financial Corp. and Total System Services, Inc.

---

**Table of Contents**

**JAIME CHICO PARDO**, age 60, is Co-Chairman of the Board of Teléfonos de México, S.A.B. de C.V. (Telmex) (a telecommunications company based in Mexico City) and has served in this capacity since April 2009. He previously served as Chairman of the Board of Telmex from October 2006 until April 2009. He was Vice Chairman and Chief Executive Officer of Telmex from 1995 until October 2006. Since November 2006, he has also been Co-Chairman of IDEAL (Impulsora del Desarrollo y el Empleo en América Latina, S.A. de C.V., a publicly listed company in Mexico in the business of investing and managing infrastructure assets in Latin America). He has also been Chairman of Carso Global Telecom, S.A. de C.V. since 1996. Mr. Chico has spent a number of years in the international and investment banking business. Mr. Chico holds a B.A. in industrial engineering from Universidad Iberoamericana and earned his M.B.A. from the University of Chicago Graduate School of Business. Mr. Chico was elected a Director of AT&T in 2008. He is a member of the Audit Committee and the Corporate Development Committee. He is a Director of Grupo Carso, S.A. de C.V. and Honeywell International Inc. and also serves on the boards of the following affiliates of Grupo Carso, S.A. de C.V.: Carso Global Telecom, S.A. de C.V.; CICSA (Carso Infraestructura y Construcción); IDEAL; Teléfonos de México, S.A.B. de C.V.; and Telmex Internacional, S.A.B. de C.V. He previously served as a Director of América Móvil, S.A.B. de C.V. (2001-2009) and América Telecom, S.A.B. de C.V. (2001-2006), also affiliates of Grupo Carso, S.A. de C.V. In light of the fact that the Grupo Carso companies are affiliates of one another, the Corporate Governance and Nominating Committee has determined that Mr. Chico's service on the boards of these companies should not count toward the Board's limit on outside board service and will not interfere with his performance as a Director of AT&T. Mr. Chico intends to come off the boards of Grupo Carso, Carso Global Telecom and Telmex Internacional in 2010, as his terms expire.

**JAMES P. KELLY**, age 66, 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, where he continued to serve as a Director until 2008. During Mr. Kelly's tenure as Chairman of United Parcel Service, the company grew beyond its core package delivery business to become a global supply chain management concern. Mr. Kelly received his B.A. in business from Rutgers University. Mr. Kelly was elected a Director of AT&T in 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. He previously served as a Director of Dana Corporation (2002-2008) and Hewitt Associates, Inc. (2002-2007).

**JON C. MADONNA**, age 66, 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. 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. (an e-commerce company) from 2001 to 2002 and served as its Chairman from 2002 to 2004. Mr. Madonna received his B.S. in accounting from the University of San Francisco. Mr. Madonna has been a Director of AT&T since 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. and Tidewater Inc. He previously served as a Director of Albertson's, Inc. (2003-2006); Jazz Technologies, Inc. (2007-2008); Neuberger Berman Inc. (2001-2004); Phelps Dodge Corporation (2003-2007); and Visa U.S.A. Inc. (2006-2007).



---

**Table of Contents**

**LYNN M. MARTIN**, age 70, is President of The Martin Hall Group, LLC (a human resources consulting firm in Chicago, Illinois) and has served in this capacity since 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), where she was responsible for Deloitte's internal human resources and minority advancement matters from 1993 until 2005. She also held the Davee Chair at Kellogg School of Management, Northwestern University, from 1993 to 1999. 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 graduated Phi Beta Kappa from the University of Illinois with a B.A. in education. Ms. Martin has been a Director of AT&T since 1999. She served as a Director of Ameritech Corporation from 1993 until the company was acquired by AT&T (then known as SBC Communications Inc.) in 1999. Ms. Martin is a member of the Corporate Governance and Nominating Committee and the Finance/Pension Committee. She is a Director of certain Dreyfus Funds and Ryder System, Inc. She previously served as a Director of Constellation Energy Group, Inc. (2003-2009) and The Procter & Gamble Company (1994-2010).

**JOHN B. MCCOY**, age 66, was Chairman from 1999 and Chief Executive Officer from 1998 of Bank One Corporation (a commercial and consumer bank based in Chicago, Illinois) until his retirement in 1999. He was Chairman and Chief Executive Officer of its predecessor, Banc One Corporation, from 1987 to 1998 and prior to that served as President and Chief Executive Officer from 1984 to 1987 and as President from 1977 to 1984. Mr. McCoy received his B.A. in history from Williams College and earned his M.B.A. in finance from Stanford University's Graduate School of Business. Mr. McCoy has been a Director of AT&T since 1999. He served as a Director of Ameritech Corporation from 1991 until the company was acquired by AT&T (then known as SBC Communications Inc.) 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 Onex Corporation. He previously served as a Director of Cardinal Health, Inc. (1987-2009); ChoicePoint Inc. (2003-2008); and Federal Home Loan Mortgage Corporation (1990-2005).

**JOYCE M. ROCHÉ**, age 62, 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 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. Prior to that, Ms. Roché held various senior marketing positions, including Vice President of Global Marketing for Avon Products, Inc. from 1993 to 1994. Ms. Roché received her B.A. in math education from Dillard University and earned her M.B.A. in marketing from Columbia University. Ms. Roché has been a Director of AT&T since 1998. She served as a Director of Southern New England Telecommunications Corporation from 1997 until the company was acquired by AT&T (then known as SBC Communications Inc.) in 1998. She is a member of the Corporate Governance and Nominating Committee and the Public Policy Committee. She is a Director of Macy's, Inc. and Tupperware Brands Corporation. She previously served as a Director of Anheuser-Busch Companies, Inc. (1998-2008) and The May Department Stores Company (2003-2006).

**Table of Contents**

**LAURA D ANDREA TYSON**, age 62, is S. K. and Angela Chan Professor of Global Management at the Walter A. Haas School of Business, University of California at Berkeley, and has served in this capacity since 2008. Dr. Tyson also serves as a member of the Economic Recovery Advisory Board to the President of the United States. She has also been Professor of Business Administration and Economics at the Walter A. Haas School of Business, University of California at Berkeley, since 2007. Dr. Tyson was Dean of London Business School, London, England, from 2002 until 2006. She was Dean of the Walter A. Haas School of Business at the University of California at Berkeley from 1998 to 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 received her B.A. in economics from Smith College and earned her Ph.D. in economics at the Massachusetts Institute of Technology. She has been a Director of AT&T since 1999. She served as a Director of Ameritech Corporation from 1997 until the company was acquired by AT&T (then known as SBC Communications Inc.) in 1999. She is a member of the Corporate Development Committee and the Finance/Pension Committee. Dr. Tyson is a Director of CB Richard Ellis Group, Inc.; Eastman Kodak Company; and Morgan Stanley.

**PATRICIA P. UPTON**, age 71, is President and Chief Executive Officer of Aromatique, Inc. (Heber Springs). Ms. Upton founded Aromatique, Inc. in 1982 and has been President and Chief Executive Officer since that time. The company is a leading manufacturer of decorative fragrances and distributes these products both domestically and internationally. She is a graduate of Stephens College. Ms. Upton has been a Director of AT&T since 1993. She is a member of the Human Resources Committee and the Public Policy 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.

*The Board recommends you vote FOR each of the above candidates.*

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

This proposal would ratify the Audit Committee's appointment of the firm of Ernst & Young LLP to serve as independent auditors of AT&T Inc. for the fiscal year ending December 31, 2010. This firm has audited the accounts of AT&T since 1983. If stockholders do not ratify the appointment of Ernst & Young LLP, the Committee will reconsider the appointment. 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.

*The Board recommends you vote FOR this proposal.*

## **Table of Contents**

### **Stockholder Proposals (Items 3 through 6)**

Certain stockholders have advised the Company that they intend to introduce at the 2010 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)**

##### Cumulative Voting

RESOLVED: Cumulative Voting. Shareholders recommend that our Board take the steps necessary to adopt cumulative voting. Cumulative voting means that each shareholder may cast as many votes as equal to number of shares held, multiplied by the number of directors to be elected. A shareholder may cast all such cumulated votes for a single candidate or split votes between multiple candidates. Under cumulative voting shareholders can withhold votes from certain poor-performing nominees in order to cast multiple votes for others.

Cumulative voting allows a significant group of shareholders to elect a director of its choice safeguarding minority shareholder interests and bringing independent perspectives to Board decisions. Cumulative voting also encourages management to maximize shareholder value by making it easier for a would-be acquirer to gain board representation. It is not necessarily intended that a would-be acquirer materialize, however that very possibility represents a powerful incentive for improved management of our company.

Cumulative voting won 54%-support at Aetna and greater than 51%-support at Alaska Air in 2005 and in 2008. It also received greater than 53%-support at General Motors (GM) in 2006 and in 2008. The Council of Institutional Investors [www.cii.org](http://www.cii.org) and CalPERS recommended adoption of this proposal topic.

The merits of this Cumulative Voting proposal should also be considered in the context of the need for improvements in our company's 2009 reported corporate governance status:

The Corporate Library [www.thecorporatelibrary.com](http://www.thecorporatelibrary.com), an independent investment research firm, rated our company "High Concern" in executive pay. Our executive pay committee granted *discretionary* executive bonuses, while elsewhere in our company the layoffs totaled nearly 17,000. It is better for annual and long-term incentives to be tied to fully disclosed, performance-based metrics. If our company's total stockholder return (TSR) was as low as the 20<sup>th</sup> percentile of its telecommunications peer group, executives could receive 50% of an incentive award, which would seem to be pay for failure by definition.

Each member of our executive pay committee received 20% in against-votes: William Aldinger, Gilbert Amelio, James Blanchard and Patricia Upton. This compared to only 2% in against-votes for some of our other directors.

Two members of our nomination committees were designated "Flagged (Problem) Directors" by The Corporate Library: James Kelly due to involvement with the Dana Corporation bankruptcy and Mary Metz due to involvement with the PG&E Corporation bankruptcy. Reuben Anderson was designated a "Flagged (Problem) Director" due to involvement with the Mississippi Chemical Corporation bankruptcy.

Management negatively prepared the 2009 definitive proxy by introducing unbalanced and inconsistent final editing practices that detracted from the readability and creditability of part of the text. Our board omitted the topics of some of the items on our 2007 ballots and also omitted certain required 2007 annual proxy text.

---

**Table of Contents**

The above concerns shows there is need for improvement. Please encourage our board to respond positively to this proposal for cumulative voting -Yes on 3

***The Board recommends you vote AGAINST this proposal for the following reasons:***

Under the Company's existing majority voting standard, to be elected in uncontested elections of Directors, nominees for election as Directors of the Company must receive a majority of the votes cast. In contested elections, Directors will continue to be elected by a plurality of the votes cast.

The Board believes that majority voting is the fairest way to elect the Company's Directors in uncontested elections, as well as the method most likely to produce a Board that will effectively represent the interests of the Company's stockholders. Cumulative voting, on the other hand, permits the holders of *less than a majority* of the votes cast to elect a Director.

A Director elected by cumulative voting may be more inclined to promote special interests on the Board and may not represent the best interests of the majority of AT&T's stockholders. Moreover, support by Directors of the special interests of the constituencies that elected them could create partisanship and divisiveness and impair the Board's ability to operate effectively as a governing body, to the detriment of all stockholders.

In addition, corporate governance experts have taken the position that a majority voting standard is not compatible with cumulative voting. For example, the Model Business Corporation Act, which is developed by the American Bar Association Committee on Corporate Laws, prohibits majority voting for directors in a corporation that permits cumulative voting.

AT&T's Corporate Governance and Nominating Committee, which is responsible for identifying candidates for the Board, as well as the independence criteria contained in AT&T's Corporate Governance Guidelines, protects the interests of all stockholders by ensuring that AT&T has an independent and effective Board of Directors. Fourteen of your Company's fifteen Directors are independent, and the Corporate Governance and Nominating Committee is comprised entirely of independent Directors. This degree of independence among Board members ensures that Directors will represent the interests of, and remain accountable to, all stockholders.

In light of the potential inequalities that can result from cumulative voting, the uncertainties surrounding the operation of cumulative voting when combined with majority voting and the protections afforded stockholders by the independence of AT&T's Board of Directors, stockholders should reject this proposal.

**Stockholder Proposal (Item No. 4)**

**Exclude Pension Credits from Calculations of Performance-Based Pay**

Resolved: The shareholders of AT&T 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 the specific financial performance measures used to award performance pay.

**SUPPORTING STATEMENT**

A substantial share of AT&T's reported earnings in recent years has not been cash flow from business operations, but rather non-cash accounting rule income from pension credits. Management used pension credits to boost reported net income by \$967 million for 2008 and by \$608 million for 2007.

## Table of Contents

Because pension credits reflect neither operating performance nor even actual returns on company pension assets we believe pension credits should be excluded from calculations of performance-based pay.

For example, last year's Annual Report reveals that nearly \$1 billion of AT&T's reported net income for 2008 was attributable to pension credits based on *projected* increases in the pension surplus that never in fact occurred (Note 11, Consolidated Financial Statements).

In reality, the pension plan suffered an *\$18.2 billion loss* during 2008. Therefore, while senior executive bonuses were boosted by pension credits based on phantom gains, the pension plan actually deteriorated from a \$17 billion surplus to a nearly \$4 billion deficit.

When this resolution was submitted to pre-merger AT&T, the Board adopted it voluntarily. The 2004 proxy statement stated: We are joining many other companies adopting similar compensation policies, which our Board believes comport with evolving best practices for executive compensation. AT&T peers Verizon and Qwest adopted the policy as well.

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.

According to the *Wall Street Journal* (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 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, April 2002.]

Because management retains discretion over the assumptions used to calculate pension credits, we believe that excluding this accounting income from performance 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), we believe AT&T's ability to recruit and retain experienced employees could be undermined.

This proposal received 45.5 percent support from shares voted at last year's Annual Meeting.

Please VOTE FOR this resolution.

***The Board recommends you vote AGAINST this proposal for the following reasons:***

Your Board of Directors believes that this proposal is not in the best interests of AT&T stockholders. We believe that this proposal is based on a fundamental misunderstanding of pension accounting and

---

**Table of Contents**

falsely suggests both that the Company uses pension accounting to manage earnings and impact compensation and that the Company's reported pension cost does not reflect performance.

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 cost 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 each year about the amount that will be earned through investment of the funds held in the separate pension trust. Applicable accounting rules require that we recognize gains or losses when the actual investment return on the pension plan assets varies significantly from the level that was initially assumed for purposes of estimating pension cost. This adjustment is included in our reported pension cost. Therefore, our reported pension cost reflects not only the estimated return on pension plan assets but also the actual return over time, to the extent there is a significant difference between the two. Furthermore, actual returns on pension plan assets are a function of management decisions on investment policy and asset allocation. Therefore, our reported pension cost also reflects management performance.

As discussed in our financial statements, in setting the expected long-term rate of return on pension plan assets, we consider capital markets future expectations and the asset mix of the pension plan investments. We do not make accounting assumptions to manage earnings or impact compensation. We have used a consistent expected long-term rate of return of 8.5% since 2003. Moreover, our pension cost and assumptions are reviewed by our independent auditors and actuaries.

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.

For purposes of calculating payout percentages under short-term incentive awards for a particular year, both the performance targets and the actual results are based on the same pension accounting assumptions for that year. Therefore, a year-over-year change in these assumptions would have no impact on short-term incentive awards. The measure of return on invested capital used for long-term incentive awards may be impacted positively if actual returns on pension plan assets exceed estimated returns and negatively if actual results fall short. We believe that this aligns the interests of management with those of our stockholders, because stockholders may be similarly impacted by differences between estimated and actual returns on pension plan assets.

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.

---

**Table of Contents**

**Stockholder Proposal (Item No. 5)**

Shareholder Advisory Vote on Executive Compensation

RESOLVED, the stockholders of AT&T hereby request that the Board include, as a voting item 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 (SCT) and the accompanying narrative disclosure of material factors provided to understand the SCT. The proposal shall make clear that the vote is advisory and will not abrogate any employment agreement.

SUPPORTING STATEMENT

We believe the owners of the Company should be allowed to express their approval or disapproval of the compensation package for the CEO and other executive officers, just as shareholders do at public companies in the U.K., Australia, the Netherlands (which requires a binding vote) and more than 15 U.S. companies, including Verizon.

Greater scrutiny and investor feedback is particularly needed at AT&T, in our view, since pay is weakly aligned with performance and executive pension and severance benefits stand out as unjustifiably costly.

At the time AT&T merged with BellSouth in 2006, a study by The Corporate Library (Pay for Failure: The Compensation Committees Responsible) singled out both companies as two of the eleven large U.S. companies where the disconnect between pay and performance is particularly stark.

In a July 2008 update, the Corporate Library reported that what AT&T calls performance shares continue to payout for below median total shareholder return (TSR).

The bar is set so low on performance shares that executives receive 50% of target if AT&T's TSR is as low as the 20th percentile compared to its Telecom Peer Group. Such low expectations are what golfers call a gimme.

Executive officers received 101% of the target award for the 2006-08 performance cycle even though return on invested capital only slightly exceeded the company's cost of capital (see 2009 proxy).

AT&T's executive pension formula is far more generous than rank-and-file managers receive. While the rank-and-file pension was frozen and converted to an annual contribution, the SERP offers the CEO a defined benefit annuity, payable for life, and targeted at 60 percent of salary plus bonus.

Former CEO Whitacre received a \$158.4 million pension package when he retired in 2007, the highest pension benefit for any CEO (*Pensions & Investments*, Pension Goldmine Awaits AT&T, Occidental CEOs). This included \$83.3 million in Senior Executive Retirement Plan (SERP) accumulations.

The present value of CEO Stephenson's SERP already exceeds \$19.9 million (2009 proxy).

In addition to platinum pensions, AT&T maintains lavish golden severance and golden coffin payouts. If Whitacre had terminated after a change in control, his severance would have exceeded \$110 million, including \$20 million in tax reimbursements.

Stephenson continues the trend. He would receive \$18.8 million plus \$17.1 million in immediate vesting of unearned performance shares, a windfall greatly exceeding 2.99 times his base salary plus target bonus.

---

**Table of Contents**

AT&T also reimburses executives for income tax due on country club memberships and excess parachute payments -a widely-criticized practice called tax gross-ups (2009 proxy).

Please vote FOR a say-on-pay.

***The Board recommends you vote AGAINST this proposal for the following reasons:***

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.

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 generic 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.



---

**Table of Contents**

**Stockholder Proposal (Item No. 6)**

Special Shareowner Meetings

RESOLVED, Shareowners ask our board to take the steps necessary to amend our bylaws and each appropriate governing document to give holders of 10% of our outstanding common stock (or the lowest percentage allowed by law above 10%) the power to call special shareowner meetings. This includes that a large number of small shareowners can combine their holdings to equal the above 10% of holders. This includes that such bylaw and/or charter text will not have any exception or exclusion conditions (to the fullest extent permitted by state law) that apply only to shareowners but not to management and/or the board.

Special meetings allow shareowners to vote on important matters, such as electing new directors, that can arise between annual meetings. If shareowners cannot call special meetings investor returns may suffer. Shareowners should have the ability to call a special meeting when a matter merits prompt attention. This proposal does not impact our board's current power to call a special meeting.

This proposal topic won more than 49%-support at our 2009 annual meeting and proposals often obtain higher votes on subsequent submissions. This proposal topic, to give holders of 10% of shareowners the power to call special shareowner meetings, won 51%-support at Pfizer (PFE) in 2009 even after Pfizer adopted a 25% threshold for shareowners to call a special meeting.

This proposal topic also won more than 60% support the following companies in 2009: CVS Caremark (CVS), Sprint Nextel (S), Safeway (SWY), Motorola (MOT) and R. R. Donnelley (RRD). William Steiner and Nick Rossi sponsored these proposals.

Please encourage our board to respond positively to this proposal: Special Shareowner Meetings Yes on 6

***The Board recommends you vote AGAINST this proposal for the following reasons:***

The sponsor of this proposal submitted a similar proposal for our 2007 annual meeting, calling on the Board to amend the Bylaws to give holders of 10% to 25% of the outstanding common stock the right to call a special meeting. In response to an affirmative stockholder vote on the 2007 proposal, the board of directors amended AT&T's Bylaws to give holders of 25% of the outstanding common stock the right to call a special meeting. The proponent is now asking the Board to again amend the Bylaws to further reduce the level of stock ownership required to call a special meeting from 25% to 10%.

Your Board of Directors has recently reduced the percentage of the outstanding shares necessary to call a special meeting to 15%. This proposal would reduce it further to 10%. We believe no further reduction is appropriate.

A special meeting of stockholders is a very expensive and time-consuming affair because of the legal costs in preparing required disclosure documents, printing and mailing costs, and the time commitment required of the Board and members of senior management to prepare for and conduct the meeting. Special meetings of stockholders should be extraordinary events that only occur when fiduciary obligations or strategic concerns require that the matters to be addressed cannot wait until the next annual meeting. We believe that AT&T's existing 15% ownership requirement strikes the appropriate balance between the right of stockholders to call a special meeting and the substantial administrative and financial burdens that special meetings impose on the Company.

---

**Table of Contents**

**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, including environmental matters. The members of the Audit Committee are Mr. Madonna (Chairman), Mr. Aldinger, Mr. Chico 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](http://www.att.com). The Audit Committee performs a review and reassessment of its charter annually. 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 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 SEC, 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, 2009; (2) discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T; (3) received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence; and (4) discussed with the auditors the auditors' independence.

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, 2009, be included in AT&T's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

February 11, 2010

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

Jaime Chico Pardo  
James P. Kelly

## **Table of Contents**

### **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 2009 and 2008 were as follows (*dollars in millions*):

Audit Fees were \$22.1 and \$22.3 for 2009 and 2008, 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 \$2.5 and \$1.9 for 2009 and 2008, 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 \$6.6 and \$7.5 for 2009 and 2008, 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 \$0.1 for 2009 and 2008, respectively. The 2008 fees were paid to review processes used to generate cost-based billings to state agencies.

---

**Table of Contents**

**Compensation Discussion and Analysis**

**Executive Summary and Overview**

**Executive Summary**

In 2009, AT&T and its executive team delivered solid financial results in a challenging economic environment, achieving substantial progress in areas key to AT&T's long-term success. These areas include:

- Leading in mobility voice and data services;
- Expanding AT&T U-verse integrated TV, broadband and voice services;
- Strengthening our leadership position in advanced business services;
- Operating as One AT&T to deliver unified customer solutions, improve operations and speed marketplace execution.

AT&T's 2009 performance included solid financial results and notable achievements in each of these areas:

Despite significant economic and competitive pressures, consolidated revenues were in line with 2008 results, with wireless service revenues up 9.6%.

Earnings per share equaled \$2.12, which exceeded our target of \$2.00. Consolidated operating margins exceeded 2008 results before incremental noncash pension and retiree benefit costs;

Cash from operating activities totaled \$34.4 billion, the highest in the Company's history;

Free cash flow (cash from operating activities minus capital expenditures) totaled \$17.1 billion, up 28.4% from the previous year;

Cash returned to stockholders through dividends totaled \$9.7 billion, and the Company's net debt declined by \$4.9 billion, further improving the Company's credit metrics;

Wireless data revenues from services such as messaging, Internet access and access to applications grew 33.4%, the strongest growth among major U.S. wireless carriers, establishing AT&T as the leader in wireless data services;

Wireless net subscriber additions totaled 7.3 million, the largest increase among all U.S. wireless providers;

U-verse TV subscribers in service nearly doubled to 2.1 million, wireline IP revenues (broadband plus U-verse) grew 29.3% to \$6.7 billion, and U-verse network deployment grew to reach 22.8 million living units, more than two-thirds of the way to the Company's goal of 30 million in 2011;

Broadband subscribers increased by nearly 1 million to 17.3 million, including 15.8 million wireline subscribers and 1.5 million mobile broadband customers;

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

While business usage was negatively affected by the economy, revenues from advanced business services such as Virtual Private Networks and managed Internet services grew 17.0%;

To better operate as One AT&T, the Company successfully implemented a number of operational changes to consolidate functions, streamline vendor relationships and simplify processes and customer interactions;

Twenty-four collective bargaining agreements were completed without business disruption, continuing to provide operational stability.

### **The Human Resources Committee and its Role**

The Human Resources Committee, composed entirely of independent Directors, is responsible for overseeing our overall management compensation practices and determining the compensation of our

## **Table of Contents**

executive officers, including the Named Executive Officers. Annually, the Committee approves the base salaries, short-term incentive targets, and long-term grant levels for executive officers. The Committee also recommends new benefit plans to the Board and acts as the administrator of certain of the Company's compensation and benefit plans. Its charter is available on our web site at [www.att.com](http://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.

### **Guiding Pay Principles**

When designing AT&T's compensation program, the Committee continually evaluates the individual program elements in light of market and governance trends. AT&T generally supports the Conference Board's recently articulated principles on executive compensation, strongly aligning in many key areas such as paying for performance, setting compensation targets consistent with the market, alignment of executive interests with stockholder interests, and focus on long-term compensation to reduce risk. The Committee believes the Conference Board principles, which discourage a single "check the box" approach and encourage the adoption of compensation programs that fit the specific circumstances of each company, provide clear guidelines and flexibility. As part of this process, the Committee uses the services of an independent compensation consultant, who performs no services for management.

Recognizing market trends, the need to attract and retain talent, and our focus on delivering value for our stockholders, the Committee has designed AT&T's executive compensation programs based on the following guiding pay principles:

***Competitive and Market Based:*** Evaluate all components of our compensation and benefits program against appropriate comparator companies to ensure we are able to attract, retain, and provide appropriate incentives for officers in a highly competitive talent market. Comparator company data provides information on market trends and may lead to changes in our approach and practices (see discussion of compensation changes below).

***Pay for Performance, Accountability:*** Tie a significant portion of compensation to the achievement of Company and business unit goals as well as recognize individual accomplishments that contribute to the Company's success. For example, in 2009, 92% of the CEO's target compensation (and 86% for other Named Executive Officers) was tied to short- and long-term performance incentives. Accountability underscores the concept that performance-based compensation is at risk. For example, in 2008, when performance levels were below pre-established targets but within the range of performance eligible for bonuses, bonuses were paid well below target. In addition, the CEO voluntarily declined, with the Committee's approval, to receive his reduced bonus. Also, because of the expectation that the difficult economy would continue through 2009, no 2009 salary increases were granted to the executive officers.

***Balanced Short- and Long-Term Focus:***