

AT&T INC.
Form 11-K
June 23, 2006

File No. 1-8610

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K
ANNUAL REPORT

Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended December 31, 2005

Commission File Number 1-8610

AT&T SAVINGS AND SECURITY PLAN

AT&T INC.

175 E. Houston, San Antonio, Texas 78205

Financial Statements, Supplemental Schedules and Exhibit

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

AT&T Inc., Plan Administrator

for AT&T Savings and Security Plan

We have audited the accompanying statements of net assets available for benefits of AT&T Savings and Security Plan (formerly SBC Savings and Security Plan) as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2005, and reportable transactions for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to auditing procedures applied in our audits of the financial statements, and in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

San Antonio, Texas

June 20, 2006

AT&T SAVINGS AND SECURITY PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

(Dollars in Thousands)

| | December 31, 2005 | 2004 |
|------------------------------------|-----------------------------|--------------|
| ASSETS | | |
| Investments | \$ 5,002,041 | \$ 4,841,363 |
| Market value of securities on loan | 113,898 | 115,302 |
| Total Investments (See Note 3) | 5,115,939 | 4,956,665 |
| Securities lending collateral | 116,142 | 117,554 |
| Dividends and interest receivable | 95 | 54 |
| Receivable for investments sold | 452 | 423 |
| Other | 2 | 1 |
| Total Assets | 5,232,630 | 5,074,697 |
| LIABILITIES | | |
| Overdrafts | 29 | - |
| Administrative expenses payable | 1,652 | 3,163 |
| Securities lending payable | 116,142 | 117,554 |
| Total Liabilities | 117,823 | 120,717 |
| Net Assets Available for Benefits | \$ 5,114,807 | \$ 4,953,980 |

See Notes to Financial Statements.

AT&T SAVINGS AND SECURITY PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2005

(Dollars in Thousands)

| | |
|--|--------------|
| Net Assets Available for Benefits, December 31, 2004 | \$ 4,953,980 |
| Additions to Net Assets: | |
| Contributions: | |
| Participant contributions | 298,509 |
| Employer contributions | 161,208 |
| | 459,717 |
| Investment Income: | |
| Dividends on AT&T common shares | 123,969 |
| Interest | 48,095 |
| Income on collateralized securities | 191 |
| Transfer from AT&T Savings Plan | 15 |
| | 172,270 |
| Total Additions | 631,987 |
| Deductions from Net Assets: | |
| Net depreciation in value of investments | 17,837 |
| Administrative expenses | 7,408 |
| Distributions | 445,915 |
| Total Deductions | 471,160 |
| Net Assets Available for Benefits, December 31, 2005 | \$ 5,114,807 |

See Notes to Financial Statements.

AT&T SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS

(Dollars in Thousands)

1. Plan Description - The AT&T Savings and Security Plan (Plan), formerly the SBC Savings and Security Plan, was established by SBC Communications Inc. (SBC) to provide a convenient way for eligible employees to save for retirement on a regular and long-term basis. In connection with the November 2005 merger of AT&T Corp., SBC changed its name to AT&T Inc. (AT&T or the Company). The majority of eligible employees are represented by the Communications Workers of America or the International Brotherhood of Electrical Workers. The following description of the Plan provides only general information. The Plan has detailed provisions covering participant eligibility, participant allotments from pay, participant withdrawals, participant loans, employer contributions and related vesting of contributions and Plan expenses. The Plan text and prospectus include complete descriptions of these and other Plan provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Participants can invest their contributions in one or more of the following funds in five dollar or 1% increments: the AT&T Shares Fund, the Bond Fund, the Large Cap Stock Fund, the Interest Income Fund, the Asset Allocation Fund, the Global Equity Fund, the Mid and Small Cap Stock Fund and the International Stock Fund.

Company matching contributions are made solely in the form of shares of AT&T's common stock held in an Employee Stock Ownership Plan (ESOP) which is a separate investment account of this Plan.

Dividends on shares in the AT&T Shares Fund and the ESOP can either be reinvested in the AT&T Shares Fund on a quarterly basis, or paid into a separate fund known as a Dividend Fund Account (DFA) for distribution at the end of the year. At the end of the year, dividends held in the DFA are paid out to the participant. Interest earned on dividends held in the DFA will be paid into the AT&T Shares Fund. During 2005, Plan participants elected to receive \$24,439 in dividend distributions. This amount is included in distributions on the statement of changes in net assets.

Although it has not expressed any intent to do so, AT&T has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event that the Plan is terminated, subject to the conditions set forth by ERISA, the account balances of all participants shall be 100% vested.

2. Accounting Policies - The values of investments are determined as follows: AT&T common shares on the basis of the closing price as reported on the New York Stock Exchange; contracts with insurance companies and other financial institutions at principal plus reinvested interest which approximates fair value; common collective trust funds at values obtained from fund managers; and temporary cash investments at cost, which approximates fair value; assets supporting synthetic contracts are valued at quoted market prices. Purchases and sales of securities are reflected as of the trade date. Dividend income is recognized on the ex-dividend date. Interest earned on investments is recognized on the accrual basis.

The accompanying financial statements were prepared in conformity with U.S. generally accepted accounting principles, which require management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain prior year balances related to securities lending have been reclassified to conform to the current year presentation.

AT&T SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS (continued)

(Dollars in Thousands)

3. Investments - Investments representing 5% or more of Plan net assets at either December 31, 2005 or 2004 were:

| | 2005 | 2004 |
|---|--------------|--------------|
| <u>Employee Stock Ownership Plan *</u> | | |
| AT&T common shares | \$ 1,094,442 | \$ 1,077,580 |
| <u>AT&T Shares Fund</u> | | |
| AT&T common shares | \$ 1,252,432 | \$ 1,399,224 |
| <u>Large Cap Stock Fund</u> | | |
| Barclays Global Investors Equity Index Fund F | \$ 625,547 | \$ 597,678 |
| <u>Asset Allocation Fund</u> | | |
| Barclays Global Investors U.S. Tactical | \$ 289,670 | \$ 253,375 |
| <u>Mid and Small Cap Stock Fund</u> | | |
| Extended Equity Market Fund F | \$ 280,407 | \$ 190,870 |

* Nonparticipant-directed

During 2005, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

| | |
|--------------------------|--------------|
| Common Stock | \$ (124,109) |
| Common Collective Trusts | 106,272 |
| Total | \$ (17,837) |

The Interest Income Fund consists of contracts with various financial institutions and insurance companies that promise to repay principal plus accrued income at contract maturity, subject to the creditworthiness of the issuer. Interest crediting rates are generally established when the contract is purchased and are periodically reset. For the years ended December 31, 2005 and 2004, the average interest rates earned on these contracts were 4.07% and 4.07%. At December 31, 2005, the fixed crediting interest rates on these contracts ranged from 1.66% to 7.62%. At December 31, 2004, the fixed crediting interest rates on these contracts ranged from 1.66% to 7.62%. No valuation reserves were recorded to adjust contract amounts as of December 31, 2005 or 2004.

The Interest Income Fund invests in both guaranteed investment contracts (GICs) and synthetic investment contracts (SICs). However, as of December 31, 2005 the Interest Income Fund no longer held investments in GICs. SICs differ from GICs in that the assets supporting the SICs are owned by the Plan. A bank or insurance company issues a wrapper contract that allows participant directed transactions to be made at contract value. Wrapper contracts are valued as the difference between the fair value of the supporting assets and the contract value. The assets supporting the GICs and SICs generally consist of high quality fixed income securities with a fair value of \$778,905 and \$776,475 at December

31, 2005 and 2004.

The Plan provides for investments in various investment securities, which in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net assets available for benefits and participant account balances.

Securities Lending

The Plan is authorized to engage in the lending of certain Interest Income Fund assets. Securities lending is an investment management enhancement that utilizes the existing securities (fixed income investments) of the Plan to earn additional income. Securities lending involves the loaning of securities to a selected group of approved banks and broker-dealers. In return for the loaned securities, the trustee, prior to or simultaneous with delivery of the loaned securities to the borrower, receives collateral in the form of cash or U.S. Government securities as a

AT&T SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS (continued)

(Dollars in Thousands)

safeguard against possible default of any borrower on the return of the loan. Each loan is initially collateralized, in the case of: (a) loaned securities denominated in U.S. dollars or whose primary trading market is located in the U.S., or (b) loaned securities not denominated in U.S. dollars or whose primary trading market is not located in the U.S. to the extent of 105% of the market value of the loaned securities. The collateral is marked to market on a daily basis. Securities on loan and collateral held under this program at December 31, 2005 and 2004 are reported on the accompanying statements of net assets available for benefits. The reported collateral includes noncash holdings of \$989 and \$3,639 at December 31, 2005 and 2004. Income earned on securities lending is used to offset the administrative expenses of the Plan and was \$191 for the year ended December 31, 2005.

4. Nonparticipant-Directed Investments - Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments as of December 31 is as follows:

| | 2005 | 2004 |
|-----------------------------------|--------------|--------------|
| <u>Assets</u> | | |
| AT&T common shares | \$ 1,094,442 | \$ 1,077,580 |
| Temporary cash investments | 409 | 1,223 |
| Dividends and interest receivable | 5 | 4 |
| Receivable for investments sold | 452 | 423 |
| Total Assets | 1,095,308 | 1,079,230 |
| <u>Liabilities</u> | | |
| Overdrafts | 29 | - |
| Administrative expenses payable | 355 | 695 |
| Total Liabilities | 384 | 695 |
| Net Assets Available for Benefits | \$ 1,094,924 | \$ 1,078,535 |

| | 2005 |
|--|--------------|
| Net Assets Available for Benefits, December 31, 2004 | \$ 1,078,535 |
| Employer contributions ¹ | 161,396 |
| Interest income | 52 |
| Transfers from AT&T Savings Plan | 4 |
| Net depreciation in fair value of investments | (52,379) |
| Administrative expenses | (1,436) |
| Distributions | (70,779) |
| Transfers to other fund(s) | (20,469) |
| | 16,389 |
| Net Assets Available for Benefits, December 31, 2005 | \$ 1,094,924 |

¹ Employer contributions includes forfeitures allocated from the AT&T Shares Fund.

AT&T SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS (continued)

(Dollars in Thousands)

5. Tax Status - The Plan has received a determination letter from the Internal Revenue Service dated March 25, 2004, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (IRC) and, therefore, the related trust is exempt from taxation. Subsequent to receiving this determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Company has indicated that it will take the necessary steps, if any, to maintain the Plan's qualified status.

6. Reconciliation of Financial Statements to Form 5500 - The following is a reconciliation of Net Assets Available for Benefits per the financial statements to the Form 5500 as of December 31:

| | 2005 | 2004 |
|--|--------------|--------------|
| Net Assets Available for Benefits per the financial statements | \$ 5,114,807 | \$ 4,953,980 |
| Less: Distribution payable to participants | (1,118) | (2,672) |
| Net Assets Available for Benefits per the Form 5500 | \$ 5,113,689 | \$ 4,951,308 |

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500 for the year ended December 31, 2005:

| | |
|--|------------|
| Distributions to participants per the financial statements | \$ 445,915 |
| Add: Distributions payable to participants at December 31, 2005 | 1,118 |
| Less: Distributions payable to participants at December 31, 2004 | (2,672) |
| Distributions to participants per the Form 5500 | \$ 444,361 |

Distributions payable to participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, but not yet paid as of that date.

AT&T SAVINGS AND SECURITY PLAN

EIN 43-1301883, PLAN NO. 004

SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2005

(Dollars in Thousands)

| Identity of Issue | Description of Investment | Cost | Current Value |
|---|--------------------------------|--------------|------------------|
| <u>Employee Stock Ownership Plan</u> | | | |
| * AT&T common shares | 44,689,335 shares | \$ 1,019,803 | \$ 1,094,442 |
| * Mellon Trust of New England, National Association Total Employee Stock Ownership Plan | Temporary cash investment | 409 | 409 |
| Total Employee Stock Ownership Plan | | 1,020,212 | 1,094,851 |
| <u>AT&T Shares Fund</u> | | | |
| * AT&T common shares | 51,140,551 shares | | 1,252,432 |
| * Mellon Trust of New England, National Association | Temporary cash investment | | 16,557 |
| Total Shares Fund | | ** | 1,268,989 |
| <u>Bond Fund</u> | | | |
| * Barclays Global Investors Intermediate Government/Credit Bond Index Fund F | 7,361,664 units | ** | 127,357 |
| <u>Large Cap Stock Fund</u> | | | |
| * Barclays Global Investors Equity Index Fund F | 34,985,849 units | ** | 625,547 |
| <u>Interest Income Fund</u> | | | |
| Bank of America Wrapper | Synthetic GIC #99-086, IR, *** | | 965 |
| Capital Fin Asset Trust | Large Equipment Loan | | 633 |
| Chase Insurance Trust | Bank Credit Card | | 7,959 |
| Credit Suisse First Boston | Collateralized Mtg Obligation | | 7,768 |
| Countrywide Home Loans | Home Equity SrSub | | 7,205 |
| Countrywide Asset-backed Certificates | Home Equity SrSub | | 3,696 |
| Fleet Credit Card MT | Bank Credit Card | | 2,000 |
| Federal Home Loan Mortgage Company | Agency PAC | | 2,389 |
| Federal National Mtg Assn. - Adj Rate Mtg. | Agency Hybrid | | 4,216 |
| Federal National Mtg Assn. - GTD REMIC. | Agency MF Fix | | 8,805 |
| Federal National Mtg Assn. - GTD REMIC. | Agency MF Fix | | 5,924 |

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| | | | |
|------|---|----------------------|-------|
| **** | Federal National Mtg Assn. - GTD REMIC. | Home Equity Agency | 1,885 |
| | Federal National Mtg Assn. | Agency Debenture | 4,100 |
| | Federal National Mtg Assn. - GTD REMIC. | Agency PAC | 6,668 |
| | Federal National Mtg Assn. - GTD REMIC. | Agency PAC | 7,588 |
| | Federal National Mtg Assn. - GTD REMIC. | Agency PAC | 819 |
| | Household Private Lab MT2 | Retail Credit Card | 5,044 |
| | MBNA Master Credit Card Trust | Monoline Credit Card | 1,652 |
| | MBNA Master Credit Card Trust | Monoline Credit Card | 5,989 |

AT&T SAVINGS AND SECURITY PLAN

EIN 43-1301883, PLAN NO. 004

SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) (continued)

December 31, 2005

(Dollars in Thousands)

| Identity of Issue | Description of Investment | Cost | Current Value |
|---------------------------------------|-------------------------------|------|---------------|
| Marriot Vacation Club Owner | Collateralized Mtg Obligation | | |
| | Commercial/Corporate | | 1,438 |
| Nordstrom Pvt Lbl CC MT | Retail Credit Card | | 5,009 |
| Residential Funding Mtg Sec | Home Equity 2nd Monoline | | 5,831 |
| **** United States Treasury | Treasury Note | | 12,853 |
| Cash on Hand | Cash | | 1,160 |
| | | | 111,596 |
| JP Morgan Chase Wrapper | Synthetic GIC | | |
| | #426424-T, IR, *** | | 1,002 |
| Carmax Auto Owner Trust | NonPrime Auto | | 3,563 |
| Chase Credit Card MT | Bank Credit Card | | 3,623 |
| Capital One Master Trust | Monoline Credit Card | | 1,003 |
| Credit Suisse First Boston | Conduit | | 198 |
| Daimler Chrysler NA hldg | Prime Auto | | 7,864 |
| Federal Home Loan Mortgage Multiclass | Agency Debenture | | 15,234 |
| FHR | Agency NAS | | 5,148 |
| **** Federal National Mtge Assn | Agency Hybrid | | 3,300 |
| Federal National Mtge Assn GTD Remic | Agency Fix | | 6,234 |
| Federal National Mtge Assn | Agency MF Fix | | 8,232 |
| **** Federal National Mtge Assn | Agency Debenture | | 3,075 |
| FNR | Agency PAC | | 274 |
| Federal National Mtge Assn Whole Loan | Agency RP ARM | | 2,487 |
| Household Private lbl. CC | Retail Credit Card | | 4,035 |
| John Deere Owner Trust | Large Equipment Loan | | 6,870 |
| Navistar Financial | NonPrime Auto | | 6,759 |
| Sallie Mae Student Loan Trust | Agency Student Loan | | 3,901 |
| USAA Auto Owner Trust | Prime Auto | | 7,892 |
| **** United States Treasury | Treasury Note | | 1,955 |
| **** United States Treasury | Treasury Note | | 6,945 |
| WFS Financial Owner Trust | Collateralized Mtg Obligation | | 5,966 |
| Cash on Hand | Cash | | 914 |
| | | | 106,474 |
| Metropolitan Life Wrapper | Synthetic GIC | | |
| | #28434, IR, *** | | 1,869 |

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| | | |
|-------------------------------------|----------------------|-------|
| Amex Optima CC MT | Monoline Credit Card | 5,431 |
| Citibank Credit Card IT | Bank Credit Card | 4,047 |
| Chase Manhattan Auto Owns Trust | Conduit | 7,772 |
| Federal Home Loan Mtg Multiclass | Agency NAS | 7,802 |
| Federal National Mtg. Assn. | Agency MF BLN | 5,070 |
| Federal National Mtg. Assn. - ACES | Agency MF FIX | 2,289 |
| Federal National Mtg Assn GTD Remic | Home Equity Agency | 3,929 |
| GSAA | Home Equity SrSub | 5,293 |

AT&T SAVINGS AND SECURITY PLAN

EIN 43-1301883, PLAN NO. 004

SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) (continued)

December 31, 2005

(Dollars in Thousands)

| Identity of Issue | Description of Investment | Cost | Current Value |
|-------------------|---|----------------------|---------------|
| | Honda Auto Receivables | Prime Auto | 8,257 |
| | Household Auto Trust | SubPrime Auto | 6,071 |
| | Nissan Auto Owners Trust | Prime Auto | 7,927 |
| | Nissan Auto Owners Trust | Prime Auto | 5,880 |
| | Nomura Asset Securities Corporation | Conduit | 7,784 |
| | Union Acceptance Corp | SubPrime Auto | 926 |
| **** | United States Treasury | Treasury Note | 3,856 |
| **** | United States Treasury | Treasury Note | 7,750 |
| | Cash on Hand | Cash | 356 |
| | | | 92,309 |
| | Monumental Wrapper | Synthetic GIC | |
| | | #MDA00292TR, IR, *** | 1,231 |
| | Citibank Credit Card IT | Bank Credit Card | 6,008 |
| | Caterpillar Financial Asset | Large Equipment Loan | 4,837 |
| | Capital One Auto Finance Trust | Subprime Auto | 6,931 |
| | Countrywide Asset-backed Certificates | Home Equity SrSub | 6,840 |
| | Federal Home Loan Mtg - Adj Rate Mtg. | Agency Hybrid | 4,217 |
| | FHR | Agency Seq | 7,879 |
| | Federal National Mtg Assn | Agency MF BLN | 4,863 |
| | Federal National Mtg Assn - Adj Rate Mtg. | Agency Hybrid | 4,503 |
| | Federal National Mtg Assn Whole Loan | Home Equity Agency | 5,561 |
| | Federal National Mtg Assn Whole Loan | Home Equity Agency | 378 |
| | FSPC | Home Equity Agency | 2,656 |
| | KEYCORP | Conduit | 167 |
| | MBNA Master Trust | Monoline Credit Card | 4,019 |
| | MBNA Master Trust | Monoline Credit Card | 5,451 |
| | Morgan Stanley Auto Loan Trust | Prime Auto | 7,159 |
| | New Century Home Equity Loan | Home Equity Monoline | 4,055 |
| | Pinnacle CBO Ltd | Corp Fin Other | 323 |
| | Res Asset Mtg Products | Home Equity Monoline | 3,787 |
| | USAA Auto Owners Trust | Prime Auto | 5,980 |
| **** | United States Treasury | Treasury Note | 2,892 |
| **** | United States Treasury | Treasury Note | 7,877 |
| **** | United States Treasury | Treasury Note | 7,937 |
| **** | United States Treasury | Treasury Note | 20,316 |

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|-----------------------------------|---------------------|---------|
| Vanderbilt Mortgage Finance | Mfg HsgSrSub | 397 |
| World Omni Auto Receivables Trust | Prime Auto | 3,441 |
| Cash on Hand | Cash | 1,635 |
| | | 131,340 |
| Rabobank Nederland | Synthetic GIC | |
| | SBC-060201, IR, *** | 2,158 |
| Chase Manhattan Auto Owner Trust | Prime Auto | 6,833 |

AT&T SAVINGS AND SECURITY PLAN

EIN 43-1301883, PLAN NO. 004

SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) (continued)

December 31, 2005

(Dollars in Thousands)

| Identity of Issue | Description of Investment | Cost | Current Value |
|-------------------|--|---|---------------|
| | Chase Manhattan First Union | Conduit | 8,635 |
| | Federal Home Loan Mtg - Adj Rate Mtg | Agency Hybrid | 4,189 |
| | Federal Home Loan Mtg Multiclass | Agency NAS | 14,579 |
| | Federal National Mtg Assn - Adj Rate Mtg | Agency HYB PP | 1,665 |
| **** | Federal National Mtg Assn Debs | Agency Debenture | 4,394 |
| **** | Federal National Mtg Assn Whole Loan | Home Equity Agency | 9,224 |
| | Federal National Mtg Assn Whole Loan | Home Equity Agency | 2,596 |
| | Federal National Mtg Assn Whole Loan | Agency RPF Fix | 6,029 |
| | GMACC Commercial Mtg. Securities | Conduit | 4,092 |
| | MBNA Master Trust | Monoline Credit Card | 7,012 |
| | Nissan Auto Receivables Trust | Prime Auto | 7,918 |
| | Wachovia Auto Owner Trust | Prime Auto | 6,902 |
| **** | United States Treasury | Treasury Note | 2,888 |
| | Wachovia Auto Owner Trust | Prime Auto | 7,847 |
| | Wachovia Auto Owner Trust | Prime Auto | 7,922 |
| | Cash on Hand | Cash | 925 |
| | | | 105,808 |
| | State Street Wrapper | Synthetic GIC #99039, IR, *** | 1,553 |
| | Bank One Insurance Trust | Bank Credit Card | 9,675 |
| | Cendant Timeshare Receivables Funding | Collateralized Mtg Obligation Commercial/Corporate | 714 |
| | Chase Insurance Trust | Bank Credit Card | 7,909 |
| | Commercial Mtg Acceptance Corp | Collateralized Mtg Obligation | 5,448 |
| | Capital One Master Trust | Monoline Credit Card | 6,021 |
| | Countrywide Asset-backed Certificates | Home Equity SrSub | 6,785 |
| | Delta Funding HEL Trust | Home Equity Monoline | 357 |
| | Federal Home Loan Mtg Corp | Agency Hybrid | 174 |
| | Federal Home Loan Mtg Corp | Agency PAC | 6,496 |
| | Federal Home Loan Mtg Corp | Agency PAC | 4,936 |
| | Federal Home Loan Mtg Corp | Agency PAC | 4,928 |
| | Federal Home Loan Mtg Corp | Agency NAS | 7,382 |
| | Federal Home Loan Mtg Corp | Agency PAC | 3,963 |
| | Federal National Mtg Assn | Agency MF BAL | 5,445 |
| | Federal National Mtg Assn - Adj Rate Mtg | Agency HYB PP | 9,376 |

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| | | |
|---|-----------------------|-------|
| Fannie Mae Grantor Trust | Agency MF Fix | 8,414 |
| Federal National Mtg Assn Whole Loan | Home Equity Agency | 2,552 |
| Federal National Mtg Assn Whole Loan | Home Equity Agency | 472 |
| FSPC | Home Equity Agency | 2,968 |
| GE Commercial Equipment Financing Lease | Large Equipment Loan | 5,837 |
| GE Equipment Small Ticket LLC | Small Equipment Lease | 8,025 |

AT&T SAVINGS AND SECURITY PLAN

EIN 43-1301883, PLAN NO. 004

SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) (continued)

December 31, 2005

(Dollars in Thousands)

| Identity of Issue | Description of Investment | Cost | Current Value |
|--|--|------|---------------|
| KEYCORP | Conduit | | 333 |
| MBNA Master Trust | Monoline Credit Card | | 2,009 |
| Sallie Mae Student Loan Trust | Agency Student Loan | | 5,390 |
| **** United States Treasury | Treasury Note | | 1,955 |
| **** United States Treasury | Treasury Note | | 8,126 |
| Wells Fargo Mortgage-backed Securities Trust | NAG PT ARM | | 9,986 |
| Cash on Hand | Cash | | 1,367 |
| | | | 138,596 |
| UBS Wrapper | Synthetic GIC #5029, IR, *** | | 1,915 |
| Americredit Auto Rec | SubPrime Auto | | 2,725 |
| Cabellas Credit Card MT | Retail Credit Card | | 3,122 |
| Caterpillar Fin Asset Trust | Large Equipment Loan | | 6,002 |
| Chase Credit Card MT | Bank Credit Card | | 2,516 |
| Commercial Mtg Pass-Thru Cert | Conduit | | 7,265 |
| Federal Home Loan Mtg - Adj Rate Mtg | Agency Hybrid | | 186 |
| **** Federal Home Loan Mortgage Corporation | Agency Debenture | | 3,628 |
| Federal Home Loan Mortgage Corporation | Agency PAC | | 4,985 |
| Federal Home Loan Mortgage Corporation | Agency NAS | | 10,657 |
| Federal Home Loan Mortgage Corporation | Agency PAC | | 7,851 |
| Fifth Third Auto Trust | AB-Prime Auto | | 7,846 |
| Federal National Mtg Assn - Adj Rate Mtg | Agency HYB PP | | 6,565 |
| Federal National Mtg Assn - Adj Rate Mtg | Agency HYB PP | | 6,906 |
| Federal National Mtg Assn Whole Loan | Home Equity Agency | | 2,781 |
| Federal National Mtg Assn Whole Loan | Home Equity Agency | | 2,552 |
| Federal National Mtg Assn Whole Loan | Home Equity Agency | | 2,024 |
| John Deere Owner Trust | Large Equipment Loan | | 7,374 |
| Morgan Stanley Capital | Conduit | | 7,122 |
| Res Asset Mtg Products | Home Equity Monoline | | 2,840 |
| Structured Adjustable Rate Mortgage Loan | Collateralized Mtg Obligation Commercial/Corporate | | 4,266 |
| **** United States Treasury | Treasury Note | | 1,005 |
| Cash on Hand | Cash | | 1,346 |

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| | | | |
|-------------------------------------|---|---------------------------|-------------------|
| | | | 103,479 |
| * | Mellon Trust of New England, National Association | Temporary cash investment | 13,899 |
| | Total Interest Income Fund | | ** 803,501 |
| <u>Asset Allocation Fund</u> | | | |
| * | Barclays Global Investors U.S. Tactical Asset Allocation Fund F | 14,718,997 units | 289,670 |

AT&T SAVINGS AND SECURITY PLAN

EIN 43-1301883, PLAN NO. 004

SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) (continued)

December 31, 2005

(Dollars in Thousands)

| Identity of Issue | Description of Investment | Cost | Current Value |
|---|---------------------------|------|---------------------|
| <u>Global Equity Fund</u> | | | |
| * Barclays Global Investors U.S. Equity Market Fund F | 3,492,987 units | | 115,164 |
| * Barclays Global Investors EAFE Equity Index Fund F | 1,702,333 units | | 41,299 |
| Total Global Equity Fund | | | 156,463 |
| <u>Mid and Small Cap Stock Fund</u> | | | |
| Extended Equity Market Fund F | 12,711,112 units | | 280,407 |
| <u>International Stock Fund</u> | | | |
| International Stock | 7,775,783 units | | 188,640 |
| <u>Loan Fund</u> | | | |
| * Loans to Plan Participants | 6.25% - 8.25% | | 280,514 |
| TOTAL | | | \$ 5,115,939 |

* Party-in-Interest.

** Participant-directed investment, cost not required

*** Synthetic Insurance Contracts, no stated maturity.

**** Investment balances have been adjusted to include the market value of securities on loan, which are reclassified for financial statement presentation.

AT&T SAVINGS AND SECURITY PLAN

EIN 43-1301883, PLAN NO. 004

SCHEDULE H, LINE 4(j) - SCHEDULE OF REPORTABLE TRANSACTIONS

December 31, 2005

(Dollars in Thousands)

| Identity of Party Involved | Description of Asset | Purchase Price | Selling Price | Cost of Asset | Current Value of Asset on Transaction Date | Net Gain (Loss) |
|--|---|-------------------|------------------|------------------|---|--------------------|
| Category (3) Series of Transactions in Excess of 5 Percent of Plan Assets | | | | | | |
| *Mellon Trust of New England, N. A. | Pooled Employee Funds Daily Liquidity Fund | \$ 185,892 | \$ | \$ 185,892 | \$ 185,892 | \$ |
| *Mellon Trust of New England, N. A. | Pooled Employee Funds Daily Liquidity Fund | | 186,705 | 186,705 | 186,705 | |

* All transactions were purchased and sold on the market.

There were no Category (1), (2) or (4) reportable transactions during the year ended December 31, 2005.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator for the Plan has duly caused this annual report to be signed by the undersigned thereunto duly authorized.

AT&T SAVINGS AND SECURITY PLAN

By AT&T Inc.,

Plan Administrator for the Foregoing Plan

By

/s/ John J. Stephens

John J. Stephens

Senior Vice President and Controller

| | |
|------------|----------|
| Date: June | 23, 2006 |
|------------|----------|

EXHIBIT INDEX

Exhibit identified below, Exhibit 23 is filed herein as an exhibit hereto.

Exhibit
Number

23 Consent of Independent Registered Public Accounting Firm