

AT&T INC.
Form 11-K
June 25, 2010

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-8610

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

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND
SECURITY PLAN

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

AT&T INC.

208 S. Akard, Dallas, Texas 75202

Financial Statements, Supplemental Schedule and Exhibit

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Administrator of the
AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan

We have audited the accompanying statements of net assets available for benefits of the AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. 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, 2009 and 2008, and the changes in its net assets available for benefits for the year ended December 31, 2009, in conformity with US 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 schedule of assets (held at end of year) as of December 31, 2009, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Dallas, Texas
June 25, 2010

AT&T OF PUERTO RICO, INC.
 LONG TERM SAVINGS AND SECURITY PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 (Dollars in Thousands)

	December 31,	
	2009	2008
ASSETS		
Investments, at fair value:		
Investment in AT&T Savings Master Trust	\$ 808	\$ 743
Participant loans receivable	80	95
Net assets reflecting investments at fair value	888	838
Adjustment from fair value to contract value for fully benefit- responsive investment contracts	(9) 8
Net Assets Available for Benefits	\$ 879	\$ 846

See Notes to Financial Statements.

AT&T OF PUERTO RICO, INC.

LONG TERM SAVINGS AND SECURITY PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (Dollars in Thousands)

Net Assets Available for Benefits, December 31, 2008	\$846
Additions to Net Assets:	
Contributions:	
Participant contributions	43
Employer contributions	21
	64
Investment Income:	
Net income from investment in AT&T Savings Master Trust	94
Interest on participant loans	5
	99
Total Additions	163
Deductions from Net Assets:	
Distributions	101
Administrative expenses	29
Total Deductions	130
Net increase	33
Net Assets Available for Benefits, December 31, 2009	\$879

See Notes to Financial Statements.

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

1. Plan Description – The AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan (Plan) is a defined contribution plan originally established by AT&T of Puerto Rico, Inc., (AT&T Corp. (ATTC) later replaced AT&T of Puerto Rico, Inc. as Plan Sponsor and Plan Administrator) to provide a convenient way for eligible non-management employees of participating ATTC to save on a regular and long-term basis. On November 18, 2005, ATTC was acquired by AT&T Inc. (AT&T or the Company). 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, as amended (ERISA).

The Plan participates in the AT&T Savings Master Trust (Master Trust) for certain participant investment fund options as described below. The Master Trust invests in the AT&T Savings Group Investment Trust (Group Trust) for the remaining participant investment fund options. EuroBank serves as local trustee under Puerto Rican law. The Bank of New York Mellon Corporation (BNY Mellon) serves as trustee for both the Master Trust and the Group Trust. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) serves as recordkeeper for the Plan.

During 2009, participants could invest their contributions in one or more of 26 funds in 10% increments for future contributions and 5% increments for fund exchanges:

- AT&T Total Return Bond Fund*
- AT&T U.S. Stock Fund*
- AT&T International Stock Fund*
- AT&T Stable Value Fund*
- Vanguard Windsor II Admin**
- Vanguard US Growth Admin**
- T Rowe Price Small Cap Stock**
- US Bond Market Index**
- S&P 500 Index Fund**
- Fidelity Magellan**
- Fidelity Equity Income**
- Fidelity Low Price Stock**
- Fidelity High Income**
- T Rowe Price Mid Cap Growth**
- Capital World Growth and Income**
- Morgan Stanley International Equity **
- Legg Mason Value Trust Inst**
- Asset Allocation Strategy Growth**
- Asset Allocation Strategy Balanced**
- Asset Allocation Strategy Income**
- Fidelity Diversified International**
- Extended US Stock Market Index**
- International Stock Market Index**
- Fidelity Dividend Growth**
- AT&T Shares Fund**
- Total US Stock Market Index**

* Investment fund option of the Group Trust.

** Investment fund option of the Master Trust.

Participants contribute to the Plan through payroll allotments. The Company contributes to the Plan by matching the participants' contributions based on the provisions of the Plan. All contributions are participant-directed.

Each participant is entitled to exercise voting rights attributable to the AT&T shares allocated to their account and is notified by the Company prior to the time that such rights may be exercised. The trustee is not permitted to vote any allocated shares for which instructions have not been given by a participant. The trustee votes any unallocated shares

in the same proportion as those shares that were allocated, unless the Committee directs the trustee otherwise. Participants have the same voting rights in the event of a tender or exchange offer.

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, account balances of all participants shall be 100% vested.

Administrative Expenses All expenses incident to the administration of the Plan will be paid from the Plan, Group Trust or Master Trust except to the extent such expenses are paid by the Company. To the extent that expenses incident to the administration of the Plan are paid from the Plan, Group Trust, or Master Trust, the plan administrator (as defined by the Plan) will determine which expenses are to be charged to and paid from participant's individual accounts, which expenses are to be charged to and paid from the accounts of all participants (and how they are to be allocated among such accounts), and which expenses are to be charged to and paid from the accounts of one or more identified groups of participants (and how they are to be allocated among such accounts).

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

2. Accounting Policies – The accompanying financial statements were prepared in conformity with U.S. generally accepted accounting principles (GAAP), 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. Distributions are recorded when paid.

Investment Valuation and Income Recognition Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Investments in securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. If no sale was reported on that date, they are valued at the last reported bid price. Shares of registered investment companies are valued based on quoted market prices, which represent the net asset value of shares held at year-end. Over-the-counter securities and government obligations are valued at the bid price or the average of the bid and asked price on the last business day of the year from published sources where available and, if not available, from other sources considered reliable.

Common/collective trust funds are valued at redemption values that represent the net asset values of units held at year-end in accordance with Accounting Standards Update (ASU) 2009-12, “Investments in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent)” as discussed below. Publicly traded partnerships are valued using trades on a national securities exchange on the last reported sales price on the last business day of the year. Participant loans are reported at cost, which approximates fair value.

Under GAAP, investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Group Trust invests in fully benefit-responsive guaranteed investment contracts (GICs) and synthetic investment contracts (Synthetic GICs). GICs are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. The underlying investments of the Synthetic GICs are owned by the Group Trust and are comprised of common/collective trust funds, corporate bonds and notes, registered investment companies and government securities and are also valued as described above. The fair value of the wrapper contracts for the Synthetic GICs is determined using the market approach discounting methodology that incorporates the difference between current market level rates for contract level wrap fees and the wrap fee being charged. The difference is calculated as a dollar value and discounted by the prevailing interpolated swap rate as of period end. The contract value of the fully benefit-responsive investment contracts represents contributions plus earnings, less participant withdrawals and administrative expenses.

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.

Recent Accounting Standards

Accounting Standards Codification In June 2009, the Financial Accounting Standards Board (FASB) issued standards that established the FASB Accounting Standards Codification (ASC or Codification) as the source of authoritative GAAP by the FASB for nongovernmental entities. The ASC supersedes all non-SEC accounting and reporting

standards that existed at the ASC's effective date. The FASB uses ASUs to amend the ASC. The Plan's financial statements refer to ASUs throughout the footnotes where deemed relevant and make general references to pre-Codification standards. These standards were effective for periods ending after September 15, 2009 (i.e., year ended December 31, 2009, for the Plan). There was no impact to the Plan's financial statements in the adoption of these standards, except for updating the appropriate references to the guidance that was codified in these standards.

AT&T OF PUERTO RICO, INC.
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(Dollars in Thousands)

Fair Value Measurements and Disclosures In April 2009, ASC Topic 820, Fair Value Measurements and Disclosures (ASC 820), was amended to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. This amendment (ASC 820-10-65) also provides additional guidance on circumstances that may indicate that a transaction is not orderly and on defining major categories of debt and equity securities in meeting the disclosure requirements of ASC 820. Per ASC 820-10-65, this amendment is effective for reporting periods ending after June 15, 2009 (i.e., year ended December 31, 2009, for the Plan), and the Plan has adopted this amendment. Adoption of ASC820-10-65 did not have a material effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

In September 2009, the FASB issued "Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2009-12), which provides guidance for an investor on using the net asset value (NAV) per share provided by an investee to estimate the fair value of an alternative investment when the fair value for the primary investment is not readily determinable. It affects certain investments that are required or permitted by GAAP to be measured or disclosed at fair value on a recurring or nonrecurring basis. It requires disclosures by major category of investment about certain attributes (e.g., applicable redemption restrictions, unfunded commitments to the issuer of the investments, and the investment strategies of that issuer). ASU 2009-12 was effective for annual periods ending on or after December 15, 2009 (i.e., the year ended December 31, 2009, for the Plan). See Note 4 for the impact of the Plan's adoption of ASU 2009-12. Adoption of ASU 2009-12 did not have a material effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

In January 2010, the FASB issued "Fair Value Measurements and Disclosures—Improving Disclosures about Fair Value Measurements" (ASU 2010-06), which requires new disclosures and reasons for transfers of financial assets and liabilities between Levels 1, 2 and 3. ASU 2010-06 also clarifies that fair value measurement disclosures are required for each class of financial asset and liability, and those disclosures should include a discussion of inputs and valuation techniques. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these changes. With respect to matters other than Level 3 measurements, ASU 2010-06 is effective for fiscal years and interim periods beginning on or after December 15, 2009 (i.e., the year ending December 31, 2010, for the Plan). New guidance related to Level 3 measurements is effective for fiscal years and interim periods beginning on or after December 15, 2010 (i.e., the year ending December 31, 2011, for the Plan). The Plan management is currently evaluating the impact of ASU 2010-06 on the Plan's financial statements.

Derivative Instruments and Hedging Activities Disclosures In March 2008, the FASB amended the disclosure requirements for derivative instruments and hedging activities. This guidance was later codified in ASC 815-10-50. The new guidance requires enhanced disclosures about an entity's derivative and hedging activities to improve the transparency of financial reporting. The Plan adopted the new guidance as of January 1, 2009, which increased the Plan's disclosures (see Note 4) but did not have an impact on the Plan's statement of net assets available for benefits or statement of changes in net assets available for benefits.

3. Fair Value Measurements – ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted market prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

AT&T OF PUERTO RICO, INC.
 LONG TERM SAVINGS AND SECURITY PLAN
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The asset's or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described in Note 2 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Plan management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2009 and 2008.

The only investments held by the Plan (outside of the Group Trust and Master Trust) is participant loans, and is classified as a Level 3 investment in the fair value hierarchy. There are no realized or unrealized gains or losses on participant loans. The change of (\$15) from the December 31, 2008 balance consists solely of net issuances and settlements. See Note 4 for fair value hierarchy for the Group Trust's and Master Trust's investments.

4. Investments – The Plan held an investment in the Master Trust, and the Master Trust held an investment in the Group Trust as of December 31, 2009 and 2008, and for the year ended December 31, 2009.

AT&T Savings Master Trust Investments

The Master Trust was established to manage assets of pooled investment options among various AT&T sponsored plans.

Each participating plan's interest in the investment fund options (i.e., separate accounts) of the Master Trust is based on account balances of the participants and their elected investment fund options. The Master Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating among all plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Master Trust.

Investment income and administrative expenses related to the Master Trust are allocated to the individual plans on a daily basis based on each participant's account balance within each investment fund option.

The participating plans and ownership percentages of the Master Trust are listed below:

December 31	2009		2008	
AT&T Long Term Savings and Security Plan	99.93	%	99.93	%
AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan	0.07	%	0.07	%
	100.0	%	100.0	%

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

The Plan's percentage interest in each of the investment fund options with the Master Trust is disclosed below:

	December 31			
	2009		2008	
AT&T Shares Fund	0.035	%	0.044	%
Vanguard Windsor II Admin	0.026	%	0.024	%
Vanguard US Growth Admin	0.012	%	0.013	%
T Rowe Price Small Cap Stock	0.009	%	0.010	%
T Rowe Price Mid Cap Growth	0.005	%	0.005	%
Capital World Growth and Income	0.036	%	0.039	%
Morgan Stanley International Equity	0.195	%	0.196	%
Legg Mason Value Trust Inst	0.041	%	0.042	%
Asset Allocation Strategy Growth	0.005	%	0.037	%
Asset Allocation Strategy Balanced	0.000	%	0.004	%
Asset Allocation Strategy Income	0.000	%	0.000	%
US Bond Market Index	0.241	%	0.086	%
S&P 500 Index Fund	0.025	%	0.150	%
Total US Stock Market Index	0.000	%	0.000	%
Extended US Stock Market Index	0.000	%	0.000	%
International Stock Market Index	0.055	%	0.052	%
Fidelity Magellan	0.241	%	0.240	%
Fidelity Equity Income	0.006	%	0.007	%
Fidelity Low Price Stock	0.117	%	0.112	%
Fidelity Diversified International	0.088	%	0.072	%
Fidelity Dividend Growth	0.054	%	0.061	%
Fidelity High Income	0.036	%	0.000	%

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

The financial position of the Master Trust at December 31 was as follows:

	2009	2008
Cash and cash equivalents	\$3,143	\$2,828
AT&T common stock	73,177	74,657
Registered investment companies	268,364	195,205
Common/collective trust funds	75,904	65,606
Investment in AT&T Group Investment Trust (at fair value)	700,528	679,998
Master trust investments at fair value	1,121,116	1,018,294
Net other assets and liabilities	(27)	
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(11,755)	9,269
Net assets	\$1,109,334	\$1,027,563

Net Appreciation (Depreciation) in Fair Value of Master Trust Investments and Total Investment Income for the year ended December 31, 2009

	2009
AT&T common stock	\$(1,107)
Registered investment companies	70,615
Common/collective trust funds	12,847
Investments in Group Trust	23,594
Total net appreciation in fair value of Master Trust Investments	\$105,949
Investment income:	
Interest	\$7
Dividends	7,713
Group Trust Dividends	18,306
Total investment income	\$26,026

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

In accordance with ASC 821-10-65, the Master Trust expanded its disclosures to include the major categorization for debt and equity securities on the basis of nature and risks of the investments. The following table sets forth by level, within the fair value hierarchy, the Master Trust's assets at fair value as of December 31, 2009, excluding the investment in the Group Trust which is disclosed below.

	Master Trust Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
US Equity Securities				
AT&T common stock	\$73,177	\$-	\$-	\$73,177
Total US Stock Index Fund ¹	-	5,516	-	5,516
S&P 500 Index Fund ²	-	11,179	-	11,179
Extended US Stock Index Fund ³	-	4,748	-	4,748
Mutual Funds – Large Cap	165,857	-	-	165,857
Mutual Funds – Mid Cap	69,794	-	-	69,794
Mutual Funds – Small Cap	19,018	-	-	19,018
Mutual Funds – High Yield Bond	13,695	-	-	13,695
International Equity Securities				
International Stock Index Fund ⁴	-	4,273	-	4,273
US Fixed Income Securities				
US Bond Market Index Fund ⁵	-	18,133	-	18,133
Asset Allocation (AA) Funds				
AA Strategy Balanced ⁶	-	13,096	-	13,096
AA Strategy Growth ⁷	-	13,595	-	13,595
AA Strategy Income ⁸	-	5,364	-	5,364
Cash and cash equivalents	3,143	-	-	3,143
Total assets at fair value	\$344,684	\$75,904	\$-	\$420,588

¹This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Dow Jones Wilshire 5000 Index. This common/collective trust fund has temporary redemption restrictions limited to semi-monthly. The fair value of the investment in this category has been estimated using the net asset value per share.

²This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Standard and Poor's Composite Stock Price Index of 500 stocks (the "S&P 500®"). This common/collective trust fund has temporary redemption restrictions limited to semi-monthly. The fair value of the investment in this category has been estimated using the net asset value per share.

³This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Dow Jones Wilshire 4500 Index. This

common/collective trust fund has temporary redemption restrictions limited to semi-monthly. The fair value of the investment in this category has been estimated using the net asset value per share.

4This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Morgan Stanley Capital International Europe, Australasia, Far East Index (MSCI EAFE). This common/collective trust fund has temporary redemption restrictions limited to semi-monthly. The fair value of the investment in this category has been estimated using the net asset value per share.

5This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the fixed income securities included in Barclays Capital Aggregate Bond Index. This common/collective trust fund has temporary redemption restrictions limited to semi-monthly. The fair value of the investment in this category has been estimated using the net asset value per share.

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AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
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(Dollars in Thousands)

6This category includes a common/collective trust fund with an overall objective of providing income and the potential for long-term growth of capital. The common/collective trust fund has temporary redemption restrictions are limited to semi-monthly. The fair value of the investment in this category has been estimated using the net asset value per share.

7This category includes a common/collective trust fund with an overall objective of providing long-term growth of capital. The common/collective trust fund has temporary redemption restrictions limited to semi-monthly. The fair value of the investment in this category has been estimated using the net asset value per share.

8This category includes a common/collective trust fund with an overall objective of providing current income, moderate risk and relative stability of capital. The common/collective trust fund has temporary redemption restrictions limited to semi-monthly. The fair value of the investment in this category has been estimated using the net asset value per share.

The following table sets forth by level, within the fair value hierarchy, the Master Trust's assets carried at fair value as of December 31, 2008:

	Master Trust Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$2,828	\$-	\$-	\$2,828
AT&T common stock	74,657	-	-	74,657
Registered investment companies	195,205	-	-	195,205
Common/collective trust funds	-	65,606	-	65,606
Total assets at fair value	\$272,690	\$65,606	\$-	\$338,296

AT&T Savings Group Investment Trust Investments

AT&T established the Group Trust to manage assets of pooled investment options among various AT&T sponsored employee benefit plans.

Each participating plan's interest in the investment fund options (i.e., separate accounts) of the Group Trust is based on account balances of the participants and their elected investment fund options. The Group Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating among all plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Group Trust.

Investment income and administrative expenses related to the Group Trust are allocated to the individual plans on a daily basis based on each participant's account balance within each investment fund option.

The participating entities and ownership percentages of the Group Trust are listed below:

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	2009		December 31, 2008	
AT&T Savings Plan Master Trust	85.9	%	83.4	%
AT&T Savings Master Trust	6.6	%	7.4	%
BellSouth Savings and Security Plan	7.5	%	9.2	%
Total	100.0	%	100.0	%

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AT&T OF PUERTO RICO, INC.
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NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

The Master Trust's percentage interest in each of the investment fund options within the Group Trust is disclosed below.

December 31, 2009	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T Inter-national Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	\$ -	\$ 59	\$ 3,631	\$ 461	\$ 4,151
Common/collective trust funds	-	555,780	256,331	-	812,111
Corporate and other bonds and notes	-	-	1,131	-	1,131
Equities	-	1,509,879	263,219	-	1,773,098
Equities – loaned	-	(86,639)	(5,511)	-	(92,150)
Publicly traded partnerships	-	3,245	-	-	3,245
Registered investment companies	1,115,939	40,042	2,976	9,842	1,168,799
Registered investment companies – loaned	(8,735)				(8,735)
Investment contracts (at fair value):					
Guaranteed investment contracts	-	-	-	28,986	28,986
Synthetic investment contracts					
Interest bearing cash	-	-	-	19,469	19,469
Corporate preferred stock	-	-	-	3,213	3,213
Corporate and other bonds and notes	-	-	-	2,868,793	2,868,793
Corporate and other bonds and notes – loaned	-	-	-	(71,918)	(71,918)
Registered investment companies				262,154	262,154
Futures	-	-	-	2,253	2,253
Other Investments	-	-	-	64,171	64,171
Government securities	-	-	-	3,682,357	3,682,357
Government securities – loaned	-	-	-	(613,841)	(613,841)
Wrapper contracts	-	-	-	9,724	9,724
Market value of securities on loan	8,735	86,639	5,511	685,759	786,644
	8,765	88,311	5,660	688,669	791,405

Collateral received for securities loaned (held in common/collective trust funds)										
Group Investment Trust investments at fair value	1,124,704		2,197,316		532,948		7,640,092		11,495,060	
Unsettled trades and other	3,853		(1,719)		653		(87,909)		(85,122)	
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	-		-		-		(132,112)		(132,112)	
Obligation to return collateral on loaned securities	(8,914)		(89,817)		(5,757)		(700,413)		(804,901)	
Group Trust net assets	\$ 1,119,643		\$ 2,105,780		\$ 527,844		\$ 6,719,658		\$ 10,472,925	
Master Trust's Percentage ownership interest of investments	1.5	%	3.1	%	1.9	%	8.9	%	6.6	%

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

The Master Trust's percentage interest in each of the investment fund options within the Group Trust is discussed below.

December 31, 2008	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T Inter-national Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	\$ -	\$ 43	\$ 7,426	\$ -	\$ 7,469
Common/collective trust funds	-	492,060	143,162	-	635,222
Corporate and other bonds and notes	-	-	171	-	171
Equities	-	1,174,101	250,366	-	1,424,467
Equities – loaned	-	(73,570)	(13,993)	-	(87,563)
Publicly traded partnerships	-	1,242	-	-	1,242
Registered investment companies	752,426	23,407	4,793	5,062	785,688
Registered investment companies – loaned	(37,925)				(37,925)
Investment contracts (at fair value):					
Guaranteed investment contracts	-	-	-	23,996	23,996
Synthetic investment contracts					
Common/collective trust funds	-	-	-	26,927	26,927
Corporate and other bonds and notes	-	-	-	2,739,026	2,739,026
Corporate and other bonds and notes – loaned	-	-	-	(8,955)	(8,955)
Government securities	-	-	-	3,765,673	3,765,673
Government securities – loaned	-	-	-	(796,733)	(796,733)
Investments short sold (proceeds of \$97,067)	-	-	-	(97,762)	(97,762)
Wrapper contracts	-	-	-	17,863	17,863
Common/collective trust funds	-	-	-	3,120	3,120
Unsettled trades and other	-	-	-	(158,963)	(158,963)
Market value of securities on loan	37,925	73,570	13,993	805,688	931,176

AT&T Savings Group Investment Trust investments at fair value	752,426		1,690,853		405,918		6,324,942		9,174,139	
Unsettled trades and other	3,469		(636)		2,292		(5,499)		(374)	
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	-		-		-		96,719		96,719	
AT&T Savings Group Investment Trust investments	\$ 755,895		1,690,217		408,210		6,416,162		9,270,484	
Master Trust's percentage ownership interest of investments	1.8	%	3.1	%	2.1	%	9.5	%	7.4	%

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

Net Appreciation (Depreciation) in Fair Value of AT&T Savings Group Investment Trust Investments and Total Investment Income for the year ended December 31, 2009

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T Inter-national Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	\$-	\$-	\$ 4,766	\$-	\$4,766
Common/collective trust funds	-	130,265	55,778	-	186,043
Corporate and other bonds and notes	(149)	(13,250)	366	-	(13,033)
Equities	-	377,645	53,527	-	431,172
Publicly traded partnerships	-	(2,883)	-	-	(2,883)
Registered investment companies	79,851	-	-	-	79,851
Total net appreciation in fair value of Group Trust Investments	\$79,702	\$491,777	\$ 114,437	\$-	\$685,916

Investment income:					
Interest	\$-	\$114	\$24	\$252,313	\$252,451
Dividends	62,562	23,382	11,305	259	97,508
Securities lending	-	930	238	6,012	7,180
Total investment income of Group Trust Investments	\$62,562	\$24,426	\$11,567	\$258,584	\$357,139

AT&T OF PUERTO RICO, INC.
 LONG TERM SAVINGS AND SECURITY PLAN
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 (Dollars in Thousands)

In accordance with ASC 820-10-65, the Group Trust expanded its disclosures to include the major categorization for debt and equity securities on the basis of nature and risks of the investments. The following table sets forth by level, within the fair value hierarchy, the Group Trust's assets at fair value as of December 31, 2009.

Group Trust Assets and Liabilities at Fair Value as of December 31, 2009					
	Level 1		Level 2	Level 3	Total
Interest bearing cash	\$	3,690	\$ -	\$ -	\$ 3,690
US Equity Securities:				-	
US common stock		1,549,921			1,549,921
US common stock – loaned					

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EXHIBIT 2

Section 11. Notice of Shareholder Nominees.

Nominations of persons for election to the Board of Directors of the corporation may be made at any annual meeting of shareholders by or at the direction of the Board of Directors or by any shareholder of the corporation entitled to vote for the election of directors at the meeting. Such shareholder nominations shall be made pursuant to timely notice given in writing to the secretary of the corporation in accordance with Section 10 of this Article I. [Note: Section 10 is attached to this Proxy Statement as Exhibit 1.] Such shareholder s notice shall set forth, in addition to the information required by Section 10, as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the corporation which are beneficially owned by such person, (iv) any other information relating to such person that is required to be disclosed in solicitation of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person s written consent to being named in the proxy statement as a nominee and to serving as a director if elected), and (v) the qualifications of the nominee to serve as a director of the corporation. In the

event the Board of Directors calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any shareholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the notice of meeting, if the shareholder's notice of such nomination contains the information specified in this Section 11 and shall be delivered to the secretary of the corporation not later than the close of business on the tenth day following the day on which the date of the special meeting and either the names of the nominees proposed by the Board of Directors to be elected at such meeting or the number of directors to be elected are publicly announced or disclosed. In no event shall the adjournment of an annual meeting or special meeting, or any announcement thereof, commence a new period for the giving of a shareholder's notice as provided in this Section 11. No shareholder nomination shall be effective unless made in accordance with the procedures set forth in this Section 11. The person presiding at the meeting shall, if the facts warrant, determine and declare to the meeting that a shareholder nomination was not made in accordance with the bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

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EXHIBIT 3

**LINCOLN NATIONAL
CORPORATION**

**AUDIT COMMITTEE
CHARTER**

I. Purposes of the Audit

Committee: The primary purposes of the Audit Committee are to:

1. assist the Board of Directors of Lincoln National Corporation (the Corporation) in its oversight of:
 - (i) the integrity of the Corporation s financial statements;
 - (ii) the Corporation s compliance with legal and regulatory requirements;
 - (iii) the independent auditor s qualifications and independence; and
 - (iv) the performance of the Corporation s General Auditor and independent auditor; and
2. prepare the report required to be prepared by the Audit Committee pursuant to the rules of the Securities and Exchange Commission (the SEC) for inclusion in the Corporation s annual proxy statement.

The primary function of the Audit Committee is oversight. In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct field work or other types of auditing or accounting reviews or procedures and each member of the Audit Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Corporation from which it receives information and the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary.

II. Composition of the Audit

Committee: The Audit Committee shall be comprised of at least three directors, each of whom the Board of Directors has determined has no material direct or indirect relationship with the Corporation or any of its subsidiaries and each of whom satisfies the applicable membership requirements of the rules of the New York Stock Exchange. The Board of Directors shall determine that: (i) each member is financially literate, and one member has accounting or related financial management expertise, as such qualifications are interpreted by the Board of Directors in its business judgment, and (ii) one member is an audit

committee financial expert,
as defined by the SEC.

No director may serve as a member of the Audit Committee if such director serves on the audit committees of more than two other public companies unless the Board of Directors determines that such simultaneous service would not impair the ability of such director to effectively serve on the Audit Committee, and discloses that determination in the Corporation's annual proxy statement. No member of the Audit Committee may receive any compensation from the Corporation other than (i) director's fees, which may be received in cash, stock options or other in-kind consideration ordinarily available to directors; (ii) a pension or other deferred compensation for prior service that is not contingent on future service; and (iii) any other regular benefits that other directors receive.

Prospective members shall be recommended by the Corporate Governance Committee of the Board of Directors, and elected annually by resolution of the Board of Directors at its first meeting following the annual meeting of shareholders. One member shall be designated from time to time by the Board of Directors as Chair of the Audit Committee (Chair).

The membership and structure of the Committee shall be subject to the Corporation's Bylaws to the extent such Bylaws are consistent with applicable law and rules of the Securities and Exchange Commission and the New York Stock Exchange.

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III. Meetings of the Audit

Committee: The Audit Committee shall meet once every fiscal quarter, or more frequently if deemed necessary or desirable by the Chair. The Audit Committee shall meet separately at least annually with the Chief Financial Officer, the General Auditor, and the independent auditor to discuss any matters that the Audit Committee or any of these persons or firms believe should be discussed in separate session (Separate Session). With the exception of Separate Session, the independent auditor, Chief Financial Officer, General Counsel, General Auditor, Chief Compliance Officer and Corporate Secretary shall customarily attend meetings of the Audit Committee. The Audit Committee may, at its discretion, meet in executive session with or without the presence of the independent auditor or corporate officers.

The Chair shall provide reasonable notice of and set an agenda for all meetings.

IV. Duties and Powers of the

Audit Committee: To carry out its purposes, the Audit Committee shall have the following duties and powers:

1. with respect to the independent auditor, which auditor shall report directly to the Audit Committee,

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- (i) to retain and terminate the independent auditor;

- (ii) to approve all audit engagement fees and terms, as well as any non-audit engagements;

- (iii) to ensure that the independent auditor prepares and delivers at least annually a formal written statement describing: the auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and all relationships between the independent auditor and the Corporation, including each non-audit service provided to the Corporation by the independent auditor and the matters set forth in Independence Standards Board, Standard No. 1, Independence Discussions with Audit Committees, as amended, and to discuss with the independent auditor any disclosed relationships or services that may impact the objectivity and independence of the Corporation's

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independent auditor;

(iv) to review and evaluate the qualifications, performance and independence of the independent auditor and the lead partner of the independent auditor;

(v) to discuss with management the timing and process for implementing the rotation of the lead audit partner and the reviewing audit partner as required by law, and consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm itself; and

(vi) if applicable, to consider whether the independent auditor's provision to the Corporation of any non-audit services is compatible with maintaining the independence of the independent auditor.

2. with respect to the General Auditor,

(i) to consult with management before the appointment or replacement of the General Auditor;

(ii) to participate in the annual performance review of the General Auditor;

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(iii) to receive from the General Auditor and review summaries of and, as appropriate, the significant reports to management prepared by the internal audit department and management's responses thereto, and also such other reports from the General Auditor as he or she deems necessary or desirable; and

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(iv) to review the responsibilities, budget and staffing of the Corporation's internal audit function.

3. with respect to the Corporation's consolidated financial statements, financial reporting process, and systems of internal accounting and financial controls,

(i) to receive from management and the independent auditor and review a timely analysis of significant financial reporting issues and practices;

(ii) to discuss with the independent auditor the matters required to be discussed by or referred to in Statement on Auditing Standards No. 61, Communications with Audit Committees, as amended;

(iii) to receive from the independent auditor and review the report to the audit committee required to be provided pursuant to Section 10A(k) of the Securities Exchange Act of 1934, as amended;

(iv) to meet with management, the independent auditor, and the General Auditor:

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to review the respective annual audit plans of the independent auditor and General Auditor;

to discuss the annual consolidated financial statements and the quarterly consolidated financial statements and the Corporation's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations in the Corporation's SEC filings and annual report to shareholders, if applicable;

to discuss any significant matters arising from any audit or report or any communication referred to in items 2(iii) or 3(ii) above, including any audit problems or difficulties, whether raised by management, the General Auditor or the independent auditor;

to discuss any difficulties the independent auditor encountered in the course of the audit, including any restrictions on its activities or access to requested information and any significant disagreements with management;

to discuss any accounting adjustments that were noted or proposed by the independent auditor but were passed (as immaterial or otherwise), any communications between the audit team

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and their national office respecting auditing or accounting issues presented by the engagement, and any management or internal control letter issued, or proposed to be issued, by the independent auditor to the Corporation;

to discuss any significant proposed or contemplated changes to the Corporation's accounting principles, policies, controls, procedures, practices, and auditing plans; and

to discuss, as appropriate: (a) any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation; and (d) earnings press releases (paying

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particular attention to
any use of pro forma,

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or adjusted non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies;

(v) to discuss guidelines and policies governing the process by which management of the Corporation and the relevant departments of the Corporation assess and manage the Corporation's exposure to risk, and to discuss the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures;

(vi) to obtain from the independent auditor assurance that the audit was conducted in accordance with auditing standards generally accepted in the United States and rules and regulations set forth in Section 10A of the Securities Exchange Act of 1934, as amended;

(vii) to review policies and procedures with respect to officers expense accounts and perquisites and the results of audits of these areas;

(viii) to discuss with the General Counsel any significant legal matters that may have a material effect on the Corporation's

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business or
consolidated financial
statements;

(ix) to discuss the types of
information to be
disclosed and the type
of presentation to be
made by the
Corporation with
respect to earnings
press releases and
financial information
and earnings guidance
provided to analysts
and rating agencies;

(x) to establish hiring
policies for employees
or former employees of
the independent auditor;
and

(xi) to establish procedures
for the receipt,
retention, and
treatment of complaints
received by the
Corporation regarding
accounting, internal
accounting controls, or
auditing matters, and
for the confidential,
anonymous submission
by employees of the
Corporation of
concerns regarding
questionable
accounting or auditing
matters.

4. with respect to enterprise
risk management,

(i) to inquire about
significant risks and
exposures, if any; and

(ii) to review and assess the
steps taken to monitor
and manage such risks.

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5. with respect to reporting and recommendations,

(i) to prepare any report, including any recommendation of the Audit Committee, required by the rules of the SEC to be included in the Corporation's annual proxy statement;

(ii) to review and reassess this Charter at least annually and recommend any changes to the Board of Directors;

(iii) to report the Audit Committee's activities to the Board of Directors on a regular basis and to make such recommendations with respect to the above and other matters as the Audit Committee deems appropriate; and

(iv) to prepare and review with the Board of Directors an annual performance evaluation of the Audit Committee, to be conducted in such manner as the Audit Committee deems appropriate and to be provided either orally or in writing, which evaluation should compare the performance of the Audit Committee with the requirements of this charter.

V. Resources and Authority of the Audit Committee:
The Audit Committee shall have the resources and authority to obtain advice and assistance from

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outside legal, accounting or other advisors as it deems appropriate, without seeking approval of the Board of Directors or management.

The independent auditor for the Corporation is ultimately accountable to the Board of Directors and the Audit Committee.

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EXHIBIT 4

**LINCOLN NATIONAL
CORPORATION**

**COMPENSATION
COMMITTEE CHARTER**

**LAST AMENDED MARCH 9,
2006**

I. Purposes

The Compensation Committee (the Committee) is a standing committee appointed by the Board of Directors (the Board) of Lincoln National Corporation (the Corporation):

1. To discharge the Board's responsibilities relating to compensation of the Corporation's executives,
2. To produce an annual report on executive compensation for inclusion in the Corporation's proxy statement,
3. To insure that succession plans are in place for the CEO and other members of the Senior Management Committee,
4. To insure that an effective management development planning process is in place consistent with the long-term needs of the Corporation, and
5. To insure that the Corporation's

compensation and benefit plans for the CEO, key executives, officers and employees are competitive, support the Corporation's overall business strategy and are fair in relation to personal and overall business performance.

II. Membership, Structure and Operations

The Committee shall consist of three or more members of the Board. The members of the Committee shall meet, and shall be determined by the Board to meet, the independence requirements of the New York Stock Exchange. In addition, two or more members of the Committee shall be non-employee directors as defined in Rule 16b-3 under the Securities Exchange Act of 1934 and outside directors for purposes of Section 162(m) of the Internal Revenue Code.

The membership and structure of the Committee shall be subject to the Corporation's Amended and Restated Bylaws to the extent such Bylaws are consistent with applicable laws and rules of the Securities and Exchange Commission and the New York Stock Exchange.

The members of the Committee shall be elected, replaced and shall serve at the pleasure of the Board for such term or terms as the Board may determine. The Board, based on nominations recommended by the Corporation's Corporate Governance Committee, shall elect members of the Committee. Committee members may resign by giving written notice to the Board. A Committee member may resign Committee

membership without resigning from the Board, but a member shall automatically cease to be a member of the Committee upon either ceasing to be a member of the Board or ceasing to be independent as required above.

The Board shall designate one member of the Committee as its chairperson. The chairperson, in consultation with Committee members, if deemed appropriate, will determine the frequency and length of meetings necessary to carry out the Committee's responsibilities. The chairperson shall preside at each meeting or, in the absence of the chairperson, one of the other members of the Committee shall be designated as the acting chair of the meeting. The chairperson (or acting chair) may direct appropriate members of management and staff to prepare draft agendas and related background information for each Committee meeting. The draft agenda shall be reviewed and approved by the Committee chairperson (or acting chair) in advance of distribution to the other Committee members. Any background materials, together with the agenda, should if practicable be distributed to the Committee members in advance of the meeting. Written minutes of each meeting, in the form approved at a subsequent meeting, shall be duly filed in the Company records. The Corporate Secretary is responsible for the distribution of the meeting agenda and the retention of appropriate Committee documentation. The Committee may invite the CEO and members of management to its meetings, as the Committee deems appropriate.

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III. Duties and Responsibilities

The Committee's duties and responsibilities shall be:

1. To establish, in consultation with senior management, the Corporation's general compensation philosophy, and oversee the development and implementation of compensation programs.

2. To annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation level based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee shall consider, among other factors, the Corporation's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies and the awards given to the CEO in past years. Nothing in this charter should be construed as precluding discussion of CEO compensation with the Board.

3. To review and approve all compensation strategies, policies and programs that encompass total remuneration of the Corporation's executive officers and key personnel.

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4. To review and approve, within its authority as set forth below, the establishment of employee benefit plans. For amounts beyond that authority, it will recommend such establishment to the Board.

5. To make recommendations to the Board with respect to the Corporation's incentive compensation plans and equity-based plans.

6. To review and approve all elements of remuneration for the executive officers of the Corporation including but not limited to: (a) annual base salary level, (b) annual incentive level, (c) long-term incentive level, stock options and other equity-based awards, (d) pension and other benefits, (e) employment agreements, (f) severance agreements, (g) change in control agreements or provisions and (h) any special or supplemental benefits.

7. To (a) administer the Company's Stock Option Plan and any other incentive plan or program providing for performance-based awards under Section 162(m) of the Internal Revenue Code with respect to those employees who are described in subsection 16(a) of the Securities Exchange Act of 1934 or who are or are expected to be covered employees, as defined in Section 162(m) of the Internal Revenue Code, (b) approve all such grants or awards that are

intended to be exempt from the application of either or both of such provisions, and (c) take such actions and have such responsibilities as may be set forth from time to time in such plans or programs. For purposes of Section 162(m), the Committee shall include only those members qualified as outside directors as defined in that section. In addition, for purposes of Rule 16b-3, the Committee shall include only those members qualified as non-employee directors as defined in that rule.

8. To insure that appropriate programs and procedures are established to provide for the development, selection and succession of officers and key personnel within the Corporation. In addition, the Committee shall review and recommend for Board approval, candidates for the Chairman and Chief Executive Officer positions.

9. To establish procedures for the Committee to exercise oversight of the evaluation of management.

10. To make regular reports to the Board of actions taken and other matters deemed appropriate to be brought to the Board's attention at the next Board meeting.

11. To review and reassess the adequacy of this Charter annually and recommend any

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proposed changes to the Board for approval.

12. To perform a self-evaluation of the performance of the Committee annually. The evaluation shall be conducted in such manner as the Committee deems appropriate. The evaluation shall compare the performance of the Committee with the requirements of this charter.

13. To perform any other duties or responsibilities expressly delegated to the Committee by the Board.

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IV. Authority

1. The Committee shall have authority to approve employee benefit and executive compensation plans and programs, provided the present value cost for each plan or change to a plan will not exceed \$20 million for the next five years after the effective date of such change.

2. The Committee may form and delegate authority to one or more subcommittees comprised of one or more members of the Committee.

3. The Committee shall have sole authority to retain and terminate any compensation consultant and shall have sole authority to approve the consultant's fees and other terms of retention.

4. The Committee shall have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

V. Resources

The Committee shall have the resources necessary to discharge its duties and responsibilities.

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EXHIBIT 5

**LINCOLN NATIONAL
CORPORATION**

**CORPORATE
GOVERNANCE**

COMMITTEE CHARTER

**LAST APPROVED MARCH 9,
2006**

I. Purposes

The Corporate Governance Committee (the Committee) is a standing committee appointed by the Board of Directors (the Board) of Lincoln National Corporation (the Corporation):

1. To assist the Board by identifying individuals qualified to become Board members,
2. To recommend to the Board the director nominees for the next annual meeting of shareholders,
3. To take a leadership role in shaping the corporate governance of the Corporation and recommend to the Board the Corporate Governance Guidelines applicable to the Corporation,
4. To recommend to the Board director nominees for each Board committee,

5. To evaluate competencies appropriate for the Board and to identify missing or under-represented competencies, and

6. To assist in the evaluation of the Board and the evaluation of individual directors.

II. Membership, Structure and Operations

The Committee shall consist of three or more members of the Board. The members of the Committee shall meet, and shall be determined by the Board to meet, the independence requirements of the New York Stock Exchange. The members of the Committee shall be elected, replaced and shall serve at the pleasure of the Board for such term or terms as the Board may determine. Committee members may resign by giving written notice to the Board. A Committee member may resign Committee membership without resigning from the Board, but a member shall automatically cease to be a member of the Committee upon either ceasing to be a member of the Board or ceasing to be independent as required above.

The Board shall designate one member of the Committee as its chairperson. The chairperson, in consultation with Committee members, if deemed appropriate, will determine the frequency and length of meetings necessary to carry out the Committee's responsibilities. The chairperson shall preside at each meeting or, in the absence of the chairperson, one of the other members of the Committee shall be designated as the acting chair

of the meeting. The chairperson (or acting chair) may direct appropriate members of management and staff to prepare draft agendas and related background information for each Committee meeting. The draft agenda shall be reviewed and approved by the Committee chairperson (or acting chair) in advance of distribution to the other Committee members. Any background materials, together with the agenda, should if practicable be distributed to the Committee members in advance of the meeting. Written minutes of each meeting, in the form approved at a subsequent meeting, shall be duly filed in the Corporation's records. The Corporate Secretary is responsible for the distribution of the meeting agenda and the retention of appropriate Committee documentation. The Committee may invite the CEO and members of management to its meetings, as the Committee deems appropriate.

The membership and structure of the Committee shall be subject to the Corporation's Bylaws to be effective upon completion of the Corporation's transaction with Jefferson-Pilot Corporation to the extent such Bylaws are consistent with applicable law and rules of the Securities and Exchange Commission and the New York Stock Exchange.

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III. Duties and Responsibilities

The Committee's duties and responsibilities shall be:

1. To identify individuals believed to be qualified to become Board members and to recommend to the Board the nominees to stand for election as directors at the annual meeting of stockholders. In the case of a vacancy on the Board (including one created by an increase in the size of the Board), the Committee shall recommend to the Board an individual to fill such vacancy either through election by the Board or by shareholders.

In nominating candidates, the Committee shall take into consideration such factors as it deems appropriate. These factors may include judgment, skill, diversity, experience, the extent to which the candidate's experience complements the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any Committees of the Board. The Committee may consider candidates proposed by management, but is not required to do so.

2. To establish procedures for the Committee to exercise oversight of the evaluation of the CEO (in cooperation with the Compensation Committee) and the Board. Board evaluation includes assessing overall Board membership against required Board

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competencies,
effectiveness of Board
meetings and relationships
between Board members
and management.

In addition, the Committee is
responsible for individual
director assessments as set
forth in the Corporation's
Corporate Governance
Guidelines.

3. To recommend to the
Board members to serve
on each committee of the
Board and to identify
Board members qualified
to fill vacancies on any
committee of the Board
(including the Corporate
Governance Committee).

In nominating a candidate for
committee membership, the
Committee shall take into
consideration the factors set
forth in the charter of the
committee, if any, as well as
any other factors it deems
appropriate, including,
without limitation, the
consistency of the candidate's
experience with the goals of
the committee and the extent
to which the candidate's
experience complements the
experience of the other
committee members.

4. To review and make
recommendations to the
Board regarding
shareholder nominations
for election as directors
made in accordance with
the procedures set forth in
Article I, Section 11 of the
Corporation's Bylaws.

5. To recommend to the
Board the class of
directors in which a
nominee should serve.

6.

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To recommend to the Board from time to time any changes the Committee believes desirable in the size of the Board or in the size, function or structure of the standing Committees of the Board.

7. To develop and recommend to the Board for inclusion in the Corporation's Corporate Governance Guidelines standards for determining the independence of directors consistent with the requirements of the New York Stock Exchange and other applicable laws or regulations and review those standards and recommend to the Board appropriate changes, if any, at least annually.
8. To develop and recommend to the Board a set of corporate governance principles applicable to the Corporation, and to review those principles and recommend to the Board appropriate changes, if any, at least annually.
9. To make regular reports to the Board no less frequently than annually.
10. To perform a self-evaluation of the performance of the Committee annually. The evaluation shall be conducted in such manner as the Committee deems appropriate. The evaluation shall compare the performance of the Committee with the

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requirements of this charter. The evaluation shall also recommend to the Board any improvements to the Committee's charter deemed necessary or desirable by the Committee.

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11. To recommend an overall compensation program for directors, including retainer, meeting fees, perquisites, deferred compensation, stock option plans or other incentive or retirement plans, and medical and life insurance coverage.

12. To recommend share ownership expectations of Board members.

13. To recommend to the Board such additional actions related to corporate governance matters as the Committee deems advisable from time to time.

14. To perform any other duties or responsibilities expressly delegated to the Committee by the Board.

IV. Authority

1. The Committee may form and delegate authority to one or more subcommittees comprised of one or more members of the Committee.

2. The Committee shall have sole authority to retain and terminate any search firm to be used to identify director candidates and shall have sole authority to approve the search firms' fees and other terms of retention.

3. The Committee shall have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

V. Resources

The Committee shall have the resources necessary to discharge its duties and responsibilities.

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EXHIBIT 6

**Lincoln National
Corporation**

Board of Directors

**Corporate Governance
Guidelines**

I. Introduction

The Board of Directors of Lincoln National Corporation (the Corporation or LNC), acting on the recommendation of its Corporate Governance Committee, has developed and adopted a set of Corporate Governance Guidelines (the Guidelines) to promote the functioning of the Board and its Committees and to set forth a common set of expectations as to how the Board should perform its functions. In the event of any conflict between these guidelines and the Corporation s Bylaws, the Corporation s Bylaws shall govern, to the extent consistent with applicable law and rules of the Securities and Exchange Commission and the New York Stock Exchange (NYSE).

II. Membership Criteria

A majority of the Board shall at all times be comprised of independent directors as defined by the applicable NYSE listing standards. Members of the Board of Directors should have the highest professional and personal honesty and integrity, consistent with longstanding values and standards of the Corporation.

They should have broad experience at the policy-making level in business, government, education, insurance, investment management or public interest. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience.

The Corporate Governance Committee is responsible for reviewing with the Board periodically the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment should include issues of diversity, age, professional accomplishments, integrity, skills such as understanding of marketing, finance, accounting, regulation and public policy, international background, commitment to the Corporation's shared values, etc. all in the context of an assessment of the perceived needs of the Board at that point in time.

Outside directors shall not serve on more than five boards of publicly held companies in addition to the LNC Board; provided, however, that outside directors who are chief executive officers of publicly held companies shall not serve on more than two boards of publicly held companies in addition to the LNC Board. Inside directors shall not serve on more than two boards of publicly held companies in addition to the LNC Board.

III. Duties and Responsibilities

A. Attending Board meetings and Board Committee meetings on which they serve and spending the time needed to review meeting materials and properly discharge their responsibilities.

B. Evaluating the performance of the Corporation and its executive management including: (i) overseeing the conduct of the Corporation's business to evaluate whether it is being effectively managed, including through regular meetings of the outside directors without the presence of management and (ii) selecting, regularly evaluating and planning for the succession of the Chief Executive Officer (CEO) and such other members of executive management as the Board deems appropriate, including fixing the compensation of such individuals.

C. Evaluating the CEO at least annually. The Lead Director will chair a meeting of outside directors to discuss the evaluation and will communicate the results to the CEO. In the absence of the Lead Director, the Chair of the Compensation Committee will have this responsibility.

The evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, management development, and the like.
Criteria

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should be developed by the CEO in consultation with the Compensation Committee and approved by the Board.

The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the CEO.

D. Reviewing the annual succession planning report from the CEO including the position of CEO and all members of the Senior Management Committee.

E. Reviewing the annual management development program report from the CEO.

F. Reviewing the Corporation's strategic plans and objectives, including the principal risk exposures of the Corporation.

G. Providing advice and counsel to the CEO and other executive management of the Corporation.

H. Assisting management in the oversight of compliance by the Corporation with applicable laws and regulations, including the public reporting obligations of the Corporation.

I. Overseeing management in the safeguarding of assets through the maintenance of appropriate accounting, financial and other controls.

J. Electing members of Board Committees and overseeing any required or appropriate Committees of the Board established for purposes of executing any delegated responsibilities from the Board.

K. Determining the form and amount of compensation for Directors taking into account their responsibilities as such and as members of any Committee of the Board.

L. Evaluating the overall effectiveness of the Board as well as selecting and recommending to shareholders for election an appropriate slate of candidates for the Board.

In discharging their responsibilities, directors must exercise their business judgment to act in a manner that they believe in good faith is in the best interests of the Corporation and its shareholders. In carrying out their responsibilities directors should be entitled to rely on the honesty and integrity of the Corporation's officers and outside advisers and auditors.

Directors shall be entitled to require that the Corporation purchase reasonable liability insurance on their behalf and to accord them the benefits of indemnification and exculpation to the fullest extent permitted by applicable law and the

Corporation's Articles of
Incorporation and Bylaws.

**IV. Structure and
Operation of the Board**

A. Size and Composition

1. Size of the Board - It is the sense of the Board that a size of 10 to 15 directors is most favorable. However, the Board would be willing to go to a somewhat larger size in order to accommodate the availability of an outstanding candidate.

2. Mix of Non-Independent and Independent Directors - The Board believes that as a matter of policy, the composition of the Board should include the President, if elected, and the Chairman of the Board, if elected, and a maximum of one additional non-independent director. All other directors should be independent. The definition of independent director shall be as set forth in the rules of the NYSE, as such rules may from time to time be amended.

3. Former Employee Board Membership - A director who is an employee will cease to be a director as of the date the director ceases to be an employee, for whatever reason.

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4. Selection of New

Director Candidates -

The Board itself should be responsible, in fact as well as procedure, for selecting its own members. The Board delegates the screening process involved to the Corporate Governance Committee with input from the CEO.

5. Extending the

Invitation to a New Potential Director to Join the Board -

The invitation to join the Board should be extended by the Board itself through the Chair of the Corporate Governance Committee and, if desired, the Chairman of the Board, together with other director(s) when deemed appropriate.

6. Directors Who Change Their Present Job Responsibility -

Individual directors who change their employment status should inform the CEO and the Chair of the Corporate Governance Committee of the change. In addition, they must volunteer, in writing, to resign from the Board. The Corporate Governance Committee, in consultation with the CEO, will evaluate the offer to resign and make a recommendation to the Board.

7. Directors Who Desire to Accept a Board Position with Another Public Company -

Individual directors who desire to accept a directorship (or, in the case of a business entity other than a corporation, a comparable position) (Directorship) of a corporation or other business entity with a class of securities registered under the Securities Exchange Act of 1934 (i.e., a public company) should inform the CEO in advance of such acceptance.

The CEO, after considering any conflict of interest, antitrust or other matters deemed appropriate, will advise the director in writing of the Corporation's position. The CEO will also apprise the Corporate Secretary, the Chair of the Conflicts of Interest Committee, and the Board of his/her determination. If the Corporation's position is that the director should not be permitted to accept the Directorship while continuing as a director of the Corporation, the director shall inform the CEO whether he/she nevertheless intends to accept the Directorship and shall resign from the Board prior to doing so.

8. Term Limits - The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Corporation and its operations and, therefore, provide an increasing contribution

to the Board as a whole.

9. Retirement Age -

Outside directors shall retire from the LNC Board and the boards of LNC subsidiaries, if any, at the end of the second day immediately preceding the annual meeting of shareholders next following, or coinciding with, the attainment of age 70. Inside directors shall retire pursuant to the Retirement Policy for the Senior Management Committee.

B. Offices of Chairman

and CEO Currently, the Bylaws of LNC provide that the Chair of the Board, if elected, and the President, if elected, will be chosen from among the directors. If both offices are filled, the Board designates one of the officers as the Chief Executive Officer. If only one office is filled, that officer is the Chief Executive Officer.

The Board has no policy respecting the need to separate the offices of Chairman of the Board and CEO. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Corporation to make a determination whenever it elects a new CEO. The Board recognizes that there may be circumstances in the future that would lead it to separate these offices, but the Board believes there is no reason to do so at this time.

C. Lead Director At the Board meeting associated with the Annual Meeting

of Shareholders each year (the Annual Board Meeting), the Board will decide whether to designate a lead director of the Board (the Lead Director) to serve until the next Annual Board Meeting. The Board can, of course, terminate or initiate such designation at any time between Annual Board Meetings if it so desires. If the Board decides to designate a Lead Director, the director so designated shall be chosen from among the outside directors and shall perform the following functions: 1) be available to the CEO for consultation on issues of corporate importance which may involve Board action and in general be a resource to the Chairman/CEO on an as needed basis; 2) chair meetings of the outside directors (which

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normally will be held in conjunction with the regular meetings of the Board of directors), as well as meetings of the independent directors, provided the Lead Director is an independent director; 3) refer and defer to appropriate Board committee chairs all matters within the scope of such committees as may be set forth from time to time in the respective Committee charters; 4) be a key communicator, along with Committee chairs, between the directors and the Chairman/CEO on matters deemed appropriate by the Board; (However, it should be clear that the Chairman/CEO is responsible directly to the Board in its entirety and individual Board members have the prerogative of communicating directly with the Chairman/CEO and the reverse.); 5) be available to outside directors for discussion of Board issues or other matters; and 6) in the event of the incapacitation of the CEO, contact the corporate secretary to call a meeting of directors pursuant to Article II, Section 3 (Special Meetings) of the Corporation's Bylaws to consider what action is appropriate, including the possible election of an acting CEO or a new CEO.

D. Board Meetings

1. Frequency - The Board shall meet at least six times a year. Additional meetings may be scheduled as necessary or appropriate in light of

circumstances.

2. Selection of Agenda

Items for Board

Meetings - The CEO, in consultation with the Lead Director, will establish the agenda for each Board meeting. At the beginning of the fiscal year the CEO will establish a schedule of agenda subjects to be discussed during the year (to the extent these can be foreseen) and will review it with the Board. Each director is free to suggest the inclusion of items on the agenda. Each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. At least one Board meeting each year will, among other things, be for the purpose of reviewing:

- (i) long-term strategic plans and the principal issues that LNC will face in the future,
- (ii) strategic objectives,
- (iii) business and financial performance for the prior year, including a review of the achievement of strategic objectives, and (iv) the Corporation's compliance with applicable law and listing standards.

3. Regular Attendance of Non-Directors at Board

Meetings - The CEO may invite officers to attend Board meetings. An objective of the Board, however, is to limit the number of outsiders in meetings. Therefore, attendance by non-directors should be restricted to topics where their expertise is desired.

4. Board Materials

Distributed in Advance

- It is the sense of the Board that information and data that are important to the Board's understanding of the business be distributed in writing to the Board before the Board meets. The officers will make every attempt to see that this material is as brief as possible while still providing the desired information.

5. Presentations - As a general rule, presentations on specific subjects should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is too sensitive to put on paper, the presentation will be discussed at the meeting.

6. Minutes - The Secretary of the Corporation normally shall record minutes of all meetings of the Board and Shareholders. In the absence or incapacity of the Secretary, the Chairman may designate an Assistant Secretary, a Director, the General Counsel or outside counsel to record the minutes of meetings of the Board, Board Committees or Shareholders.

With respect to any matter, a Director voting against a proposal may ask to have his or her dissent recorded in the minutes of the meeting, and the Secretary shall do so.

7. Executive Sessions of Outside Directors - The outside directors will meet in executive session in connection with each regularly scheduled Board meeting and at such other times as they may desire. Each regularly scheduled Board meeting agenda will specify an executive session. Executive sessions are meetings of outside directors. Inside directors and management do not attend these sessions. Executive sessions are not Board meetings. Any matter may be discussed during an Executive Session, but Board action cannot be taken during such sessions. Board action may only be taken at Board meetings (including telephonic meetings) or by the unanimous written

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consent of all Board members to action without a meeting. Executive sessions will be chaired by the Lead Director who will provide feedback to the CEO. In the Lead Director's absence, the chair of the Corporate Governance Committee will chair these sessions. Board committees that are composed of both inside and outside directors may have executive sessions at which inside director(s) are not present on a basis similar to executive sessions of the Board. In the event the Board includes any non-independent outside directors, the independent directors will hold an additional executive session, without any non-independent outside directors present, at least once per year. This session will be held in connection with the Board meeting immediately following the annual meeting of shareholders, unless the Board determines otherwise.

Minutes need not be taken at executive sessions of the Board or Board Committees composed of both inside and outside directors. If minutes are taken, they should not be kept with or included in the minutes of the Board or Board Committee. If a Committee is composed solely of outside directors and management personnel are asked to leave, whether minutes need to be taken depends on whether the Committee meeting is adjourned. If management is asked to leave, but the meeting is not adjourned, then minutes need to be taken

and are part of the official minutes of the Committee. If the meeting is adjourned, and outside directors meet without management, minutes need not be taken, and, if taken, should not be kept with or included in the minutes of the meeting. If minutes are taken during an executive session, the chair of the session should designate an acting secretary for the session.

E. Access to Management

Board members shall have complete access to LNC s officers and counsel. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Corporation and that such contact, if in writing, be copied to the CEO.

Furthermore, the Board encourages the CEO to, from time to time, bring managers into Board meetings who:

- (a) can provide additional insight into the items being discussed because of personal involvement in these areas
- and (b) represent managers with future potential that the senior officers believe should be given exposure to the Board.

**F. Access to Outside
Counsel and Other
Advisors**

The Board and Board Committees may retain outside counsel, financial or other advisors, as they deem appropriate, without consulting with or obtaining the approval of any officer of the Corporation with respect to any issue relating to matters subject to their respective authority.

G. Board Interaction with Institutional Investors, the Press, Customers, etc.

The Board believes that the appropriate officers speak for the Corporation. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Corporation. It is expected that Board members would do this with the knowledge of the CEO and, absent unusual circumstances, only at the request of the CEO.

In no event shall any Director disclose any material non-public information concerning the Corporation. Among other considerations, such disclosures may violate applicable law. Questions about such information should be directed to the General Counsel. In the event that a Director inadvertently discloses information that may be material and non-public, he or she should immediately so advise the General Counsel.

H. Committees of the Board

1. Committee Structure -

The Board has the following Committees: the Audit Committee, the Committee on Corporate Action, the Compensation Committee, the Corporate Governance Committee, the Development Committee, and the Securities Committee. The Board has the flexibility to form a new Committee. It is the

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policy of the Board that only independent directors serve on the Audit, Compensation and Corporate Governance Committees. All independent directors should be a member of at least one Committee and, ideally, two. The Board shall have

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authority to disband any *ad hoc* or standing Committee when it deems it appropriate to do so, provided that the Corporation shall at all times have Audit, Compensation, and Corporate Governance Committees and such other Committees as may be required by applicable law or listing standards. The members of the Audit, Compensation and Corporate Governance Committees shall at all times meet the independence and other requirements of applicable law and listing requirements.

2. Written Charters -

Each standing Committee shall have a written charter, which shall be approved by the Board and state the purpose of such Committee. Committee charters shall be reviewed not less frequently than annually to reflect the activities of each of the respective Committees, changes in applicable law or regulation and other relevant considerations, and proposed revisions to such charters shall be approved by the Board.

3. Assignment and Rotation of Members -

The Corporate Governance Committee recommends to the Board the members and chairs of the Committees taking into account the desires of individual Board members and the suggestions of the CEO. The Board elects

Committee members and designates Committee chairs.

It is the sense of the Board that consideration should be given to periodically rotating Committee chairs and members. The Board does not feel that Committee members rotation should be mandated as a policy since there may be reasons at a given point in time to maintain an individual director's Committee membership for a longer period or to shorten the period. The learning time to become an active contributor on a particular Committee is also a factor. Committee chairs shall serve for a minimum of three years and a maximum of six years unless such limitations are shortened or extended by the Board.

4. Agendas - The chair of each Committee, in consultation with its members and the appropriate corporate officers, will develop the Committee's agenda and frequency and length of meetings consistent with its charter.

At the beginning of the fiscal year each Committee will establish a schedule of agenda subjects to be discussed during the year (to the extent these can be foreseen). The schedule for each Committee will be furnished to all directors.

Directors may attend any Board Committee meetings where subjects of particular interest to them are being discussed. It is expected, however, directors would consult with the chair of the Committee before attending.

I. Compensation of Directors

The Board sets the level of compensation for directors, based on the recommendation of the Corporate Governance Committee. Directors who are also current employees of the Corporation receive no additional compensation for service as directors.

From time to time the Corporate Governance Committee shall review the amount and form of compensation paid to directors, taking into account the compensation paid to directors of other companies in its peer group and other large U.S. companies of similar size. An appropriate officer will report once a year to the Committee the status of the Corporation's Board compensation in relation to its peer group and other U.S. companies of similar size. The Committee's review may be conducted with the assistance of outside experts in the field of executive compensation.

Changes in Board compensation, if any, should come at the recommendation of the Corporate Governance Committee, but with full discussion and concurrence by the Board.

It is the policy of the Board that a portion of director compensation be in the form of stock. The current stock ownership target is three times the cash portion of the retainer within a five-year period after joining the Board.

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**J. Director Orientation
and Education**

New Directors shall participate in an orientation program, which shall generally be conducted within two months of the new Director's election. The agenda for the orientation program shall be determined by the Chairman, in consultation with the Chief Executive Officer (if different from the Chairman), the Chief Financial Officer, the General Counsel, and the Lead Director, who may consult, as appropriate, with Chairpersons of the standing Committees. The orientation program shall address the Corporation's strategic plans, significant risk exposures, compliance programs (including its code of business conduct and ethics) and may include presentations by the Corporation's executive management, internal auditors and independent auditors, as well as one or more visits to the Corporation's headquarters or other operating sites. All Directors shall be invited to attend each orientation program. The Board shall encourage Directors to participate in continuing education programs, and the Corporation shall pay the reasonable expenses of attendance by a Director of at least one such program per year.

**K. Annual Assessment of
the Board's
Performance**

The Board shall conduct a self-evaluation at least annually to determine whether it and its Committees are functioning effectively. To assist the Board in this

self-evaluation, the Corporate Governance Committee is responsible for preparing an annual assessment of the Board's performance. This assessment will be discussed with the full Board following the end of each fiscal year. This assessment should be of the Board's contribution as a whole and specifically review areas in which the Committee or the CEO believes a better contribution could be made. Its purpose is to increase the effectiveness of the Board, not to target individual Board members.

In addition, the Corporate Governance Committee is responsible for individual director assessments and shall obtain input for such assessments from all Board members other than the director being assessed. These assessments, including confidential feedback to the director, will be completed at least one year prior to a director's anticipated nomination for a new term. The lead director shall be responsible for confidentially communicating the results of an individual director assessment to the director. The purposes of such assessments are to improve the effectiveness of each director and to provide input to the Corporate Governance Committee regarding whether a director should be nominated for a new term.

L. Public Availability of Governance Documents

These Corporate Governance Guidelines; the charters for the Audit, Corporate Governance, and Compensation Committees; and the Corporation's Code of Business Conduct and Ethics shall be posted on the Corporation's website. The Corporation's annual report on

Form 10-K filed with the SEC shall state that the foregoing information is available on its website, and that the information is available in print to any shareholder who requests it.

**V. Guidelines For
Determining the
Independence of
Directors**

Following are the criteria to be used to determine the independence of each director of the Corporation, in accordance with the requirements set forth in Section 303A of the New York Stock Exchange Listed Company Manual, which apply to all companies listed with the NYSE, and as required by The Sarbanes-Oxley Act of 2002.

A director will be considered by the Board to be independent if the director has no material relationship with the Corporation (directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation) other than as a director. Material relationships may include, but are not limited to, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. The following is a list of the criteria that the Board of Directors shall apply in making such determinations.

- A.** A director who is an employee, or whose immediate family member is an executive officer, of the Corporation is not independent until three years after the end of such employment relationship.

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B. A director who receives, or whose immediate family member receives, during any 12 month period within the last three years more than \$100,000 in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent.

C. A director will not be independent if: (i) the director or an immediate family member is a current partner of the Corporation's external or internal auditor; (ii) the director is a current employee of such a firm; (iii) the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (iv) the director or an immediately family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the listed company's audit within that time.

D. A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the Corporation's present executives serves on that company's

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compensation committee is not independent until three years after the end of such service or the employment relationship.

E. A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the Corporation for property or services in an amount which, in any single fiscal year, exceeds 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.

F. A director who is also a member of the Corporation's Audit Committee must meet the following additional requirements regarding independence as required by Rule 10A-3(b)(1)(ii) under the Securities Exchange Act of 1934:

1. A director is not independent if he or she accepts, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation or any of its subsidiaries, other than the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation (provided that such compensation is not contingent in any way on continued service)

3. A director is not independent if he or she is an affiliated person (as defined in Section 10A-3 of the Exchange Act) of the Corporation or any of its subsidiaries.

Notwithstanding the categorical standards set forth above, in order for a director to be deemed to be independent under the NYSE Listed Company Manual, the Board of Directors must affirmatively determine that the director has no material relationship with the Corporation (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Corporation, including any contributions the Corporation made to a charitable organization of which the director serves as an executive officer).

VI. Code of Business
Conduct and Ethics

The Board expects all directors, as well as officers and employees, to display the highest standard of ethics, consistent with the longstanding values and standards of the Corporation. The Corporation has adopted a Code of Business Conduct and Ethics applicable to directors, officers and employees that is designed to support the values and standards of the Corporation and to comply with the laws, rules and regulations that govern the Corporation's business. Directors are expected to report any possible conflict of interest between the director and the Corporation to the Board, and the Board shall take appropriate action. The Board or a Board committee must approve all waivers of the Code of Business Conduct and Ethics for executive officers and directors and all

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such waivers shall be promptly disclosed to shareholders through the Corporation's website or other means in compliance with applicable law or rules of the NYSE.

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**VII. Securityholder
Communications
Process**

The Corporation shall provide a process for security holders to send communications to the Board. The Board has approved a process for such security holder communications based on the recommendation of the Corporate Governance Committee. Such communications process, along with the identity of the directors to whom security holders can send communications and other relevant information, shall be described in the proxy statement relating to the Corporation's annual meeting of shareholders. The Board shall review such security holder communications process from time to time and implement such changes, if any, as it deems appropriate.

**VIII. Certification with
respect to NYSE
Corporate
Governance Listing
Standards**

The Corporation's CEO shall certify annually as required by NYSE rules that, as of the date of certification, he is not aware of any violations by the Corporation of applicable NYSE corporate governance listing standards. The Corporation's CEO shall promptly notify the NYSE in writing after any executive officer of the Corporation becomes aware of any material non-compliance with any applicable NYSE corporate governance listing standard.

**IX. Revisions of These
Guidelines**

Each year, the Corporate Governance Committee shall re-evaluate these Guidelines and recommend to the Board such revisions as it deems necessary or appropriate for the Board to discharge its responsibilities more effectively.

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EXHIBIT 7

**Policy Regarding Approval
of Services of Independent
Auditor**

I. Statement of Principles

Under the Sarbanes-Oxley Act of 2002 (the "Act"), the Audit Committee of the Board of Directors is responsible for the appointment, compensation and oversight of the work of the independent auditor. As part of this responsibility, the Audit Committee is required to approve in advance all services performed by the independent auditor in order to assure that they do not impair the auditor's independence from the Corporation. To implement these provisions of the Act, the Securities and Exchange Commission (the "SEC") has issued rules governing the audit committee's engagement of the independent auditor, as well as rules setting forth the types of services that an independent auditor may not provide to its audit client.

The SEC's rules provide two methods for approving in advance (referred to as "pre-approving") the proposed services of the independent auditor. Services may be pre-approved as part of a specific engagement approved by the Audit Committee, or may be pre-approved if they have been generally authorized by the Audit Committee pursuant to a policy complying with SEC rules. Accordingly, and intending to comply with SEC rules, the Audit Committee has adopted this policy regarding the pre-approval of services of the independent auditor.

In pre-approving services, the Audit Committee will consider whether the provision of any service might impair the independence of the independent auditor. As part of that analysis, the Audit Committee shall consider whether the provision of the service, alone or in combination with other such services, would violate any of three basic principles recognized by the SEC: (i) the auditor cannot audit his or her own work, (ii) the auditor cannot function as a part of management, and (iii) the auditor cannot serve in an advocacy role for the client.

II. Specific Pre-approval

The annual audit services engagement terms and fees and any amendments thereto will be subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit (including required quarterly reviews), subsidiary audits, equity investment audits and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements.¹ These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control. Audit services also include the attestation engagement for the independent auditor's report on management's report on internal controls for financial reporting.

In addition, any services that are not the subject of a general pre-approval under this policy shall require the Audit Committee's specific

pre-approval.

III. General Pre-approval

The Audit Committee shall periodically and not less than annually pre-approve the performance by the independent auditor of such audit, audit-related, tax and other services as it deems appropriate from time to time. Such pre-approval will require that the Audit Committee first receive and evaluate detailed back-up documentation regarding each service being pre-approved. Also, the Audit Committee will specify a maximum fee for each service being pre-approved, beyond which further approval of the Audit Committee will be required.

The period of time covered by any pre-approval shall be as specified in the terms of the pre-approval. However, it is anticipated that the Audit Committee will consider pre-approvals concurrently with its consideration of the annual audit services engagement, and that the term of each pre-approval will be twelve months.

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¹The use of the term "audit services" herein is not intended to correspond to the grouping of services associated with the disclosure of "audit fees" in the proxy statement.

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IV. Excluded Services

The Audit Committee will not approve the provision of any non-audit services by the independent auditor which are prohibited by the SEC. A list of the SEC's prohibited non-audit services is included at [Appendix A](#). The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

The Audit Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor the primary business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations.

V. Procedures

Proposed services of the independent auditor that are not the subject of a specific pre-approval pursuant to Section II above will be evaluated by the General Auditor. The General Auditor will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee and whether the fees for such services are within approved fee levels. If these conditions are satisfied, then the provision of services can commence and the General Auditor shall inform the Audit Committee at its next meeting of the services provided. Proposed services that do not satisfy these conditions require specific pre-approval by the Audit

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Committee and may be submitted to the Audit Committee by either the independent auditor or the General Auditor. The General Auditor will immediately report to the Audit Committee any breach of this policy that comes to his attention.

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APPENDIX A

**SEC PROHIBITED
SERVICES**

Bookkeeping or other services related to the accounting records or financial statements of the audit client²

Financial information systems design and implementation²

Appraisal or valuation services, fairness opinions, or contribution-in-kind reports²

Actuarial services²

Internal audit outsourcing services²

Management Functions

Human Resources

Broker-dealer, investment adviser, or investment banking services

Legal services

Expert services unrelated to the audit

²Unless it is reasonable to conclude that the results of these services will not be subject to audit procedures

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during an audit of the audit
client's financial statements.

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