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1934 Act/ Rule 14a-8

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U.S. Securities and Exchange Commission  
Division of Corporation Finance  
Office of Chief Counsel  
100 F Street, N.E.  
Washington, DC 20549

Re: AT&T Inc. 2007 Annual Meeting  
Stockholder Proposal of Jeremy Kagan

Ladies and Gentlemen:

This statement and the material enclosed herewith are submitted on behalf of AT&T Inc. ("AT&T") pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended. AT&T has received a stockholder proposal from "As You Sow," on behalf of Jeremy Kagan, for inclusion in AT&T's 2007 proxy materials. The proposal was co-filed by Jeffrey Hersh, Calvert Asset Management Company, Inc., Larry Fahn, The Adrian Dominican Sisters, and Camilla Madden Charitable Trust (collectively, together with Jeremy Kagan, referred to hereinafter as "Proponents"). Proponents Kagan, Hersh and Calvert have requested that all communications be directed to As You Sow. For the reasons stated below, AT&T intends to omit this proposal from its 2007 proxy statement. It is important to note that AT&T has neither confirmed nor denied the existence of any of the programs that are the basis of this proposal, nor does AT&T now confirm or deny that it has participated in any such activities or programs. In fact, as described in the attached opinion from Sidley Austin LLP, to the extent AT&T were to have participated in any such programs, implementation of the proposal would cause AT&T to violate federal statutes prohibiting their disclosure.

Pursuant to Rule 14a-8(j), enclosed are six copies of each of: this statement, the opinion of Sidley Austin LLP, and the Proponents' letter submitting the proposal, which is attached to the referenced opinion. A copy of this letter and related cover letter are being mailed concurrently to As You Sow and Proponents Fahn, Adrian Dominican

Sisters and Camilla Madden Charitable Trust advising them of AT&T's intention to omit the proposal from its proxy materials for the 2007 Annual Meeting.

### ***The Proposal***

On October 27, 2006, AT&T received a letter from As You Sow, on behalf of Proponent Kagan, alleging that AT&T provided certain customer information to the National Security Agency ("NSA"), the Federal Bureau of Investigation ("FBI"), and other government agencies. The letter also contains a proposal, subsequently co-filed by the other Proponents, requesting that AT&T report on the technical, legal and ethical policy matters and other details relating to the alleged actions (the "Proposal"). Specifically, the Proposal states:

RESOLVED: That shareholders request that the Board of Directors issue a report to shareholders in six months, at reasonable cost and excluding confidential and proprietary information, which describes the following:

- The overarching technical, legal and ethical policy issues surrounding (a) disclosure of the content of customer communications and records to the Federal Bureau of Investigations, NSA and other government agencies without a warrant and its effect on the privacy rights of AT&T's customers and (b) notifying customers whose information has been shared with such agencies;
- Any additional policies, procedures or technologies AT&T could implement to further ensure (a) the integrity of customers' privacy rights and the confidentiality of customer information, and (b) that customer information is only released when required by law; and
- AT&T's past expenditures on attorney's fees, experts fees, operations, lobbying and public relations/media expenses, relating to this alleged program.<sup>1</sup>

### ***The Proposal May be Omitted from the Proxy Statement Pursuant to Rule 14a-8(i)(2): Implementation of the Proposal by AT&T would violate federal law.***

Rule 14a-8(i)(2) provides that a shareholder proposal may be excluded if it "would, if implemented, cause the company to violate any state, federal, or foreign law to which it is subject." The underlying premise of the Proposal is that AT&T has provided certain customer information to the NSA and other government agencies and that any such action would constitute a violation of the law and the privacy rights of customers. The

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<sup>1</sup> The full text of the Proposal and its Supporting Statement is attached as Exhibit 1 to the opinion of Sidley Austin LLP.

Proposal would require the company to publish a report on the technical, legal and ethical policy matters and other details relating to the alleged actions.

The Proposal, by its terms, directly addresses information regarding the alleged communications intelligence activities of the United States. Any such activities, if engaged in by AT&T, would be classified and disclosing them would be prohibited under Federal law.

AT&T has obtained a legal opinion from the law firm of Sidley Austin LLP which describes in detail the laws governing the disclosure of the alleged activities involving the NSA, FBI and other government agencies (the "Sidley Austin Opinion").<sup>2</sup> The Sidley Austin Opinion confirms that the actions called for by the Proposal, based on the premise of the Proposal, would cause AT&T to violate a series of Federal laws designed to protect the intelligence gathering activities of the United States, including 18 U.S.C. § 798(a), which specifically prohibits knowingly and willfully divulging to an unauthorized person classified information regarding the communications intelligence activities of the United States.

Because these issues are discussed at considerable length in the Sidley Austin Opinion, that discussion is incorporated in this letter and will not be repeated here.

Since implementation of the Proposal would violate federal law, AT&T can exclude the Proposal from its 2007 proxy materials in accordance with Rule 14a-8(i)(2).

***The Proposal May be Omitted from the Proxy Statement Pursuant to Rule 14a-8(i)(7): The Proposal relates to ordinary business matters.***

Rule 14a-8(i)(7) permits a company to omit a shareholder proposal from its proxy materials if the proposal deals with a matter relating to the company's ordinary business operations. The general policy underlying the "ordinary business" exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." This general policy reflects two central considerations: (i) "certain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight"; and (ii) the "degree to which the proposal seeks to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." Exchange Act Release No. 34-40018 (May 21, 1998).

In applying the Rule 14a-8(i)(7) exclusion to proposals requesting companies to prepare reports on specific aspects of their business, the Staff has determined that it will consider whether the subject matter of the special report involves a matter of ordinary business. If it does, the proposal can be excluded even if it requests only the

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<sup>2</sup> The Sidley Austin Opinion is attached to this letter as Attachment A.