AT&T INC.
Form 11-K
June 27, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT

Pursuant to Section 15(d) of the

Securities Exchange Act of 1934

For the fiscal year ended December 31, 2005

Commission File Number l-8610

AT&T LONG TERM SAVINGS AND SECURITY PLAN

AT&T INC.

175 E. Houston, San Antonio, Texas 78205

AT&T LONG TERM SAVINGS AND SECURITY PLAN

Financial Statements

and Supplemental Schedule

December 31, 2005 and 2004

CONTENTS **PAGE**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Plan Administrator of the

AT&T Long Term Savings and Security Plan

We have audited the financial statements of the AT&T Long Term Savings and Security Plan as of December 31, 2005, and for the year ended December 31, 2005, as listed in the accompanying contents page. 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 audit. The 2004 financial statements of the Plan were audited by other auditors whose report dated June 22, 2005, expressed an unqualified opinion on those statements.

We conducted our audit 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. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 plan benefits of AT&T Long Term Savings and Security Plan as of December 31, 2005, and the changes in its net assets available for plan benefits for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2005 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplemental information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements as of and for the year ended December 31, 2005, and in our opinion, is fairly stated in all material respects in relation to the basic 2005 financial statements taken as a whole.

/s/ The Hanke Group, PC

San Antonio, Texas

June 16, 2006

Report of Independent Registered Public Accounting Firm

To the Participants and Employee Benefits Committee of the

AT&T Long Term Savings and Security Plan:

In our opinion, the accompanying statement of net assets available for benefits presents fairly, in all material respects, the net assets available for benefits of the AT&T Long Term Savings and Security Plan (the Plan) at December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Plan s management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

New York, New York

June 22, 2005

AT&T LONG TERM SAVINGS AND SECURITY PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
DECEMBER 31, 2005 AND 2004

ASSETS	**2005**	**2004**
	(thousands)	
Investments, at fair value:		
Investment in Master Trust	**$ 1,277,745**	$ 1,346,740
Participant loans receivable	**32,410**	37,592
TOTAL	**1,310,155**	1,384,332
NET ASSETS AVAILABLE FOR PLAN BENEFITS	**$ 1,310,155**	$ 1,384,332

See notes to financial statements.

AT&T LONG TERM SAVINGS AND SECURITY PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
YEAR ENDED DECEMBER 31, 2005

	(thousands)
NET ASSETS AVAILABLE FOR PLAN BENEFITS, JANUARY 1, 2005	$ 1,384,332
ADDITIONS TO NET ASSETS ATTRIBUTED TO:	
Net income from investment in Master Trust	78,719
Interest on participant loans	1,438
	80,157
CONTRIBUTIONS AND TRANSFERS:	
Employee contributions	34,898
Employing company contributions, net	16,271
Transfers of participants' balances from other plans, net	3,685
	54,854
TOTAL ADDITIONS	135,011
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:	
Distributions to participants	(209,188)
TOTAL DEDUCTIONS	(209,188)
Net decrease	(74,177)
NET ASSETS AVAILABLE FOR PLAN BENEFITS, DECEMBER 31, 2005	$ 1,310,155

See notes to financial statements.

AT&T LONG TERM SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. DESCRIPTION OF PLAN

The AT&T Long Term Savings and Security Plan (the Plan or LTSSP) is a defined contribution plan established by AT&T Corp. (AT&T) to provide a convenient way for occupational employees of participating AT&T Companies to save on a regular and long-term basis. The LTSSP participates in the AT&T Savings Master Trust (Master Trust) for the investment of the pooled assets of various funds. Each participating plan has an undivided interest in the Master Trust. The trustee of the Master Trust is State Street Bank and Trust Company (Trustee).

An eligible employee enters the Plan by authorizing a payroll allotment to invest his/her contributions in one or more of twenty-six different funds as set forth in the current Plan documents. A participant who did not have, as of July 30, 2004, or who does not continue to maintain a balance in the Fidelity Low-Priced Stock Fund, cannot invest in the Fidelity Low-Priced Stock Fund through the Plan. On December 6, 2004, Fidelity Investments (Fidelity) implemented an enterprise-wide policy to monitor and address excessive short-term trading in Fidelity funds sold through retail or 401(k) plans for which they keep the records. This policy maintains standards for warning participants and suspending trading privileges, if necessary, in accordance with the prospectus rules. Fidelity has offered to implement this policy for other mutual fund providers and T. Rowe Price and Legg Mason agreed to have their funds monitored by Fidelity. Effective August 29, 2005, the short-term holding period for the Morgan Stanley Institutional Fund International Equity Portfolio, Class A Shares was reduced from 60 days to 30 days.

In March 2005, in response to a change in the law, the automatic distribution threshold was reduced to $1,000 from $5,000.

On November 18, 2005, AT&T Corp. was acquired by AT&T Inc. (formerly known as SBC Communications Inc.). As a result of the acquisition, the AT&T Corp. common stock held in the AT&T Stock Fund was converted to AT&T Inc. common stock based on a conversion ratio. In addition, a special cash dividend of $1.30 was received for each share of AT&T Corp. common stock and was invested in the AT&T Stable Value Fund. As part of the conversion process, the AT&T Stock Fund was closed for participant transactions from 4:00 p.m. Eastern Time on November 18, 2005, through 9:30 a.m. Eastern Time on November 23, 2005.

Employee allotments of 2% to 16% of salary may be authorized. An employee may designate allotments as pre-tax allotments, after-tax allotments or as a combination of pre-tax and after-tax allotments. All participant contributions and earnings thereon are immediately vested and are not subject to forfeiture. Pre-tax contributions may be made up to the Internal Revenue Service limit of $14,000 in 2005. After one year of service, the employing company (AT&T or any AT&T subsidiary participating in the Plan) will contribute an amount equal to 66-2/3% of the first 6% of the employee s salary contributed. A participant becomes 100% vested in the employing company contributions after three years of vesting service. Company contributions are made in accordance with the participant s elected investment direction. The Plan provides that Company Matching Contributions associated with a participant s contribution to the International Brotherhood of Electrical Workers (IBEW) Sponsored Trust for Savings be invested in the AT&T Stock Fund and then are immediately available for participant redistribution.

Employees who are age 50 or older on or before December 31 may be eligible to make pre-tax contributions beyond the Internal Revenue Service pre-tax limit. The 2005 catch-up contribution limit set by the Internal Revenue Service is $4,000. No employing company contribution is made on catch-up contributions.

AT&T LONG TERM SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

1. DESCRIPTION OF PLAN (continued)

Loans are available to all participants in an amount not less than $1,000, up to a maximum of 50% of the participant s vested account balance or $50,000 minus the participant s highest outstanding loan balance in the last twelve months. Upon default participants are considered to have received a distribution and are subject to income taxes on the distributed amount. Beginning on August 24, 2005, as a result of Hurricanes Katrina, Rita, and Wilma, and in response to new federal laws and Internal Revenue Service guidance, the Plan was also permitted to provide loans of up to $100,000 for certain eligible participants, and was also permitted to delay, for specified periods of time, the required loan repayment amounts for certain eligible participants entitled to disaster relief. Loan transactions are treated as a transfer to (from) the investment funds from (to) the Participant Loan Account. The term of the loan shall not exceed fifty-six months. The loans are collateralized by the balance in the participant s account and bear interest at the prime rate on the last business day of the month preceding the month in which the loan was initiated, or at a rate as otherwise approved by the Savings Plan Committee. For participants who are on active military service, the loan interest rate may be reduced to 6% during the period of military service, unless the participant elects that the loan interest rate not be so reduced. Interest rates are fixed for the term of the loan. Interest rates on participant loans outstanding as of December 31, 2005, range from 4.0% to 9.5%. Principal and interest are paid through payroll deductions or participant-initiated payments.

Also as a result of Hurricanes Katrina, Rita, and Wilma and in response to new federal laws and Internal Revenue Service guidance, the Plan was also permitted to provide for expedited hardship withdrawals to eligible participants. Such withdrawals are not subject to the 10% excise tax on premature withdrawals and are taxable over a period of three years, and may be repaid (or recontributed) into the Plan as rollover contributions, if such contributions are made within three years of the withdrawal.

When a participant terminates employment, the entire vested amount in the participant s account will be distributed in a single payment, if the amount to be distributed is $1,000 or less. However, if the amount to be distributed exceeds $1,000, and the participant does not request the distribution, the participant s account shall remain in the Plan and may be withdrawn or distributed at the participant s request, or as minimum required distributions beginning when the participant attains age 70-1/2, or upon the participant s death, whichever is earlier. Hardship and non-hardship withdrawals are available upon request.

Participant forfeitures in 2005 were $98,725. The total forfeited non-vested accounts as of December 31, 2005 and 2004, are $987,463 and $847,027, respectively. Forfeitures will be used to reduce future employer contributions and administrative expenses. During 2005, no employing company contributions were reduced by forfeitures.

For a complete description of the Plan, participants should refer to the Plan Prospectus and Plan Summary Plan Description (SPD), including the Summaries of Material Modifications to the SPD. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting The financial statements of the Plan are prepared under the accrual method of accounting.

Payment of Benefits Benefits are recorded when paid.