

AT&T INC.
Form S-4/A
June 02, 2006

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As filed with the Securities and Exchange Commission on June 2, 2006

Registration No. 333-132904

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Amendment No. 2
to
Form S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
AT&T INC.
(Exact Name of Registrant as Specified in Its Charter)**

Delaware
(State or other jurisdiction of
incorporation or organization)

4813
(Primary Standard Industrial
Classification Code Number)

43-1301883
(IRS Employer
Identification Number)

**175 East Houston
San Antonio, Texas 78205
(210) 821-4105**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Ann Effinger Meuleman
AT&T Inc.
175 East Houston
San Antonio, Texas 78205
(210) 821-4105**

(Name, address, including zip code, and telephone number, including area code, of agent for service)
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and upon completion of the transactions described in the enclosed prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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**PROXY STATEMENT
AND PROSPECTUS OF AT&T INC.**

**PROXY STATEMENT
OF BELLSOUTH CORPORATION**

June 2, 2006

Dear Shareholders:

The boards of directors of AT&T and BellSouth have agreed to combine in a merger that will result in a more effective and efficient provider of wireless, broadband, video, voice, data and directory services. It will also put control of Cingular Wireless in one company. We are very excited about the prospects for the combined company.

If the merger is completed, BellSouth shareholders will receive 1.325 AT&T common shares for each BellSouth common share held immediately prior to the merger.

Based on the closing price of \$27.99 per AT&T common share on the New York Stock Exchange on March 3, 2006, the last trading day before the public announcement of the merger, the 1.325 exchange ratio represented approximately \$37.09 per BellSouth common share, a 17.9% premium over the closing price of the BellSouth common shares on the NYSE on March 3, 2006. Based on the closing price of \$26.91 per AT&T common share on the NYSE on June 1, 2006, the latest practicable date before the printing of this joint proxy statement/prospectus, the total merger consideration was valued at approximately \$35.66 per BellSouth common share. Because the number of AT&T common shares to be issued in exchange for each BellSouth common share is fixed, the actual value of the merger consideration that BellSouth shareholders will receive at the time of the merger for each BellSouth common share will depend on the price per AT&T common share at that time. Based on the estimated number of BellSouth common shares outstanding on the record date for the meetings, AT&T expects to issue approximately 2,400,000,000 AT&T common shares to BellSouth shareholders in the merger. Former BellSouth shareholders are expected to own approximately 38% of the AT&T common shares outstanding immediately after the merger. AT&T common shares are quoted on the NYSE under the symbol **T**. BellSouth common shares are quoted on the NYSE under the symbol **BLS**.

Each company is holding a special meeting of shareholders in order to obtain the shareholder approvals necessary to complete the merger as more fully described in this joint proxy statement/prospectus. The accompanying joint proxy statement/prospectus provides a detailed description of the proposed merger and the merger consideration. In addition, it provides you with important information regarding these meetings. **We urge you to read the enclosed materials (and any documents incorporated by reference into this joint proxy statement/prospectus) carefully. Please pay particular attention to the Risk Factors section beginning on page 17.**

We cannot complete the merger unless the shareholders of both of our companies approve proposals related to the merger. **Your vote is very important, regardless of the number of shares you own. Whether or not you expect to attend either special meeting, please vote all proxy cards that you receive as soon as possible to ensure that your shares are represented at the applicable special meeting. If you are a BellSouth shareholder, please note that a failure to vote your shares is the equivalent of a vote against the merger.** If you are an AT&T shareholder, please note that a failure to vote your shares may result in an insufficient number of shares being voted at the AT&T special meeting for the proposal to issue AT&T common shares to be approved. Registered and many broker-managed shareholders can vote their shares by using a toll-free telephone number or the Internet. Instructions for using these convenient services are provided on the accompanying proxy card. Of course, you may still vote your shares by marking your votes on the accompanying proxy card, signing and dating it and mailing it in the envelope provided. If you sign and return your proxy card without specifying your choices, it will be understood that you wish to have your shares voted in accordance with your board of directors' recommendations. If you are a shareholder of both AT&T and BellSouth, you will receive two separate packages of proxy materials. Please sign, date and return all proxy cards that you receive, whether from AT&T or BellSouth, or vote as either an AT&T or BellSouth shareholder by Internet or telephone. If you have any questions or need assistance voting your shares, please call D.F. King & Co., Inc., who is assisting AT&T, toll free at (800) 431-9643 or collect at (212) 269-5550, if you are an AT&T shareholder, or

Morrow & Co., Inc., who is assisting BellSouth, toll free at (877) 366-1576, if you are a BellSouth shareholder.

The AT&T board of directors recommends that AT&T shareholders vote FOR the proposal to authorize the issuance of AT&T common shares required to be issued to BellSouth shareholders pursuant to the merger agreement. The BellSouth board of directors recommends that BellSouth shareholders vote FOR the proposal to approve the merger agreement.

Sincerely,

Edward E. Whitacre, Jr.
Chairman of the Board and Chief Executive Officer
AT&T Inc.

F. Duane Ackerman
Chairman of the Board and Chief Executive Officer
BellSouth Corporation

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated June 2, 2006 and is expected to be first mailed to AT&T s shareholders on or about June 7, 2006 and to BellSouth s shareholders on or about June 8, 2006.

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REFERENCE TO ADDITIONAL INFORMATION

This joint proxy statement/ prospectus incorporates by reference important business and financial information about AT&T and BellSouth from documents that are not included in or delivered with this joint proxy statement/prospectus. For a listing of the documents incorporated by reference into this joint proxy statement/ prospectus, see "Where You Can Find More Information" beginning on page 136. This information is available to you without charge upon your written or oral request. You can obtain documents related to AT&T and BellSouth that are incorporated by reference into this joint proxy statement/ prospectus, without charge, from the SEC's Web site (www.sec.gov) or by requesting them in writing or by telephone from the appropriate company.

AT&T Inc.
175 East Houston
San Antonio, TX 78205
(210) 821-4105
Attn: Stockholder Services
www.att.com

BellSouth Corporation
1155 Peachtree Street, N.E., Room 14B06
Atlanta, Georgia 30309
(404) 249-2000
Attn: Investor Relations
www.bellsouth.com/investor

(All Web site addresses given in this joint proxy statement/ prospectus are for information only and are not intended to be an active link or to incorporate any Web site information into this joint proxy statement/ prospectus.)

Please note that copies of the documents provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into the documents or this joint proxy statement/ prospectus.

In order to receive timely delivery of requested documents in advance of the special meetings, you should make your request no later than July 14, 2006.

ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form S-4 filed with the SEC by AT&T (File No. 333-132904), constitutes a prospectus of AT&T under Section 5 of the Securities Act of 1933, which we refer to as the Securities Act, with respect to the AT&T common shares to be issued to BellSouth shareholders as required by the merger agreement. This document also constitutes a joint proxy statement under Section 14(a) of the Securities Exchange Act of 1934, which we refer to as the Exchange Act. It also constitutes a notice of meeting with respect to the special meeting of AT&T shareholders, at which AT&T's shareholders will be asked to consider and vote upon a proposal to authorize the issuance of AT&T common shares required to be issued to BellSouth shareholders pursuant to the merger agreement, and a notice of meeting with respect to the special meeting of BellSouth shareholders, at which BellSouth's shareholders will be asked to consider and vote upon a proposal to approve the merger agreement.

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AT&T INC.
175 E. Houston
San Antonio, Texas 78205
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To be held on Friday, July 21, 2006

To AT&T Shareholders:

A special meeting of shareholders of AT&T Inc., a Delaware corporation (AT&T), will be held at 3:00 p.m. Central time on Friday, July 21, 2006, at the Charline McCombs Empire Theatre, 226 North St. Mary s Street, San Antonio, Texas, for the following purposes:

To consider and vote upon a proposal to authorize the issuance of AT&T common shares required to be issued in the merger of ABC Consolidation Corp., a Georgia corporation and a wholly-owned subsidiary of AT&T (Merger Sub), with and into BellSouth Corporation, a Georgia corporation, as contemplated by the Agreement and Plan of Merger, dated as of March 4, 2006, by and among BellSouth, AT&T and Merger Sub, as that agreement may be amended; and

To conduct any other business as may properly come before the special meeting or any properly reconvened meeting following an adjournment or postponement of the special meeting.

Holders of record of AT&T common shares at the close of business on June 1, 2006, are entitled to vote at the special meeting and any adjournment or postponement of the special meeting. A list of these shareholders will be available for inspection during business hours from July 7 through July 20, 2006, at 175 E. Houston, San Antonio, Texas, and will also be available at the special meeting.

Your vote is very important. Your proxy is being solicited by the AT&T Board of Directors. The issuance of new shares of AT&T common shares must be authorized by the shareholders of AT&T in order for the merger to be completed.

By Order of the AT&T Board of Directors.

Ann Effinger Meuleman
Vice President and Secretary
AT&T Inc.
June 2, 2006

IMPORTANT NOTICE

If you do not plan to attend the special meeting to vote your shares, please complete, date, sign and promptly mail the enclosed proxy card in the return envelope provided. No postage is necessary if mailed in the United States. Shareholders of record and many broker-managed shareholders may also give their proxy by telephone or through the Internet in accordance with the instructions accompanying the proxy card. Any person giving a proxy has the power to revoke it at any time, and shareholders who are present at the meeting may withdraw their proxies and vote in person.

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BellSouth Corporation
1155 Peachtree Street, N.E.
Atlanta, Georgia 30309
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To be held on Friday, July 21, 2006

To BellSouth Shareholders:

A special meeting of shareholders of BellSouth Corporation, a Georgia corporation (BellSouth), will be held at 11:00 a.m. Eastern time on Friday, July 21, 2006, at the Cobb Galleria Centre, 2 Galleria Parkway, Atlanta, Georgia 30339, for the following purposes:

To consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of March 4, 2006, by and among BellSouth, AT&T Inc. and a wholly-owned subsidiary of AT&T, as that agreement may be amended; and

To conduct any other business that may properly come before the special meeting or any properly reconvened meeting following an adjournment or postponement of the special meeting.

Holders of record of BellSouth common shares at the close of business on June 1, 2006 are entitled to vote at the special meeting and any adjournment of the special meeting. Your shares can be voted at the special meeting only if you are present or represented by a valid proxy. Shareholders who owned BellSouth common shares as of the record date will be admitted to the special meeting with verification of ownership, such as an account statement or a valid admission card as attached to the proxy card.

Your vote is important. Please vote as soon as possible in one of the following ways, even if you plan to attend the meeting:

By **Internet** visit the website on the proxy card or in your e-mail notice; or

By **telephone** use the toll-free telephone number on the proxy card; or

By **mail** mark, sign, date and promptly return the enclosed proxy card(s) in the postage-paid envelope.

You may also submit a ballot at the special meeting on July 21, 2006.

By Order of the BellSouth Board of Directors.

Rebecca M. Dunn
*Senior Vice President Corporate Compliance and
Corporate Secretary*
BellSouth Corporation
June 2, 2006

IMPORTANT NOTICE

For the merger agreement to be approved by BellSouth shareholders, a majority of the outstanding BellSouth common shares must be voted in favor of approval of the merger agreement. Accordingly, if you do not vote your BellSouth common shares, it will have the same effect as a vote against approval of the merger agreement and the merger. Please vote your shares.

If you do not plan to attend the special meeting to vote your shares, please complete, date, sign and promptly mail the enclosed proxy card(s) in the return envelope provided. No postage is necessary if mailed in the United States. Shareholders of record and many broker-managed shareholders may also give their proxy by telephone or through the Internet in accordance with the instructions accompanying the proxy card(s). Any person giving a proxy has the power to revoke it at any time, and shareholders who are present at the meeting may withdraw their proxies and vote in person.

Please do not send share certificates at this time. If the merger is completed, you will be sent instructions regarding the surrender of your share certificates.

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QUESTIONS AND ANSWERS

The following are some of the questions that you, as a shareholder of AT&T or BellSouth, may have, and answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this joint proxy statement/prospectus, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this joint proxy statement/prospectus. We urge you to read this joint proxy statement/prospectus in its entirety prior to making any decision.

Q1: Why am I receiving this joint proxy statement/prospectus?

A1: AT&T and BellSouth have agreed to combine their respective businesses by means of a merger. We expect the combined company will be a more effective and efficient provider in the wireless, broadband, video, voice and data markets. It will also put control of Cingular Wireless in one company.

AT&T is holding a special meeting of shareholders in order to obtain the shareholder approval necessary to issue AT&T common shares in the merger, as described in this joint proxy statement/prospectus. BellSouth is holding a special meeting of shareholders in order to obtain shareholder approval of the merger agreement, as described in this joint proxy statement/prospectus.

We will be unable to complete the merger unless AT&T and BellSouth shareholders approve these proposals at their respective special meetings.

We have included in this joint proxy statement/prospectus important information about the merger, the merger agreement and the special meetings of the shareholders of AT&T and BellSouth. You should read this information carefully and in its entirety. We have attached a copy of the merger agreement as Annex A. The enclosed voting materials allow you to vote your shares without attending the applicable special meeting. **Your vote is very important and we encourage you to vote your proxy as soon as possible.**

Q2: What will I receive in the merger?

A2: If the merger is completed, BellSouth shareholders will receive 1.325 AT&T common shares for each BellSouth common share held immediately prior to the merger.

Holders of BellSouth common shares will not receive any fractional AT&T common shares in the merger. Instead, the total number of AT&T common shares that each BellSouth shareholder will receive in the merger will be rounded down to the nearest whole number, and AT&T will pay cash for the remaining fractional AT&T common share that a BellSouth shareholder would otherwise be entitled to receive. The amount of cash payable for a fractional AT&T common share will be determined by multiplying the fraction by the average closing price for an AT&T common share for the five trading days ending on the trading day immediately prior to the completion of the merger.

AT&T shareholders will continue to hold their AT&T common shares.

Q3: How do I calculate the value of the merger consideration?

A3: BellSouth shareholders will receive merger consideration consisting of a fixed number of 1.325 AT&T common shares for each BellSouth common share they own. Based on the closing price of \$27.99 per AT&T common share on the New York Stock Exchange, which we refer to as the NYSE, on March 3, 2006, the last trading day before the public announcement of the merger, the exchange ratio represented approximately \$37.09 per

BellSouth common share, a 17.9% premium over the closing price of BellSouth common shares on the NYSE on March 3, 2006. Based on the closing price of \$26.91 per share of AT&T common shares on the NYSE on June 1, 2006, the latest practicable date before the printing of this joint proxy statement/prospectus, the exchange ratio represented approximately \$35.66 per BellSouth common share.

Because AT&T will issue a fixed number of AT&T common shares in exchange for each BellSouth common share, the value of the merger consideration that BellSouth shareholders will receive in the merger for each BellSouth common share will depend on the price per AT&T common share at the

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time the merger is completed. That price will not be known at the time of the meeting and may be less than the current price or the price at the time of the meeting. Former BellSouth shareholders are currently expected to own approximately 38% of the AT&T common shares outstanding immediately after the merger.

Q4: What is required to complete the merger?

A4: We are not required to complete the merger unless a number of conditions are satisfied or waived. These conditions include receipt of shareholder approvals, receipt of the approval of the Federal Communications Commission, which we refer to as the FCC, and other regulatory consents, expiration of the waiting period under the Hart-Scott-Rodino Act, which we refer to as the HSR Act, and receipt of legal opinions that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. For a more complete summary of the conditions that must be satisfied or waived prior to completion of the merger, see *The Merger Agreement – Conditions to the Merger* beginning on page 91.

Q5: When and where will the special meetings be held?

A5: The AT&T special meeting is scheduled to be held at 3:00 p.m. Central time, at the Charline McCombs Empire Theatre, 226 North St. Mary's Street, San Antonio, Texas, on July 21, 2006. The BellSouth special meeting is scheduled to be held at 11:00 a.m. Eastern time at the Cobb Galleria Centre, 2 Galleria Parkway, Atlanta, Georgia, on July 21, 2006.

Q6: Who is entitled to vote at the AT&T and BellSouth special meetings?

A6: AT&T has fixed June 1, 2006 as the record date for the AT&T special meeting. If you were an AT&T shareholder at the close of business on the record date, you are entitled to vote on matters that come before the AT&T special meeting. However, an AT&T shareholder may only vote his or her shares if he or she is present in person or is represented by proxy at the AT&T special meeting.

BellSouth has fixed June 1, 2006 as the record date for the BellSouth special meeting. If you were a BellSouth shareholder at the close of business on the record date, you are entitled to vote on matters that come before the BellSouth special meeting. However, a BellSouth shareholder may only vote his or her shares if he or she is present in person or is represented by proxy at the BellSouth special meeting.

Q7: I hold my shares in street name. How are my shares voted?

A7: If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. If this is the case, this joint proxy statement/prospectus has been forwarded to you by your brokerage firm, bank or other nominee, or their agent. As the beneficial holder, you have the right to direct your broker, bank or other nominee as to how to vote your shares. **If you do not provide your broker, bank or other nominee with instructions on how to vote your street name shares, your broker, bank or other nominee will not be permitted to vote them on either the proposal to authorize the issuance of AT&T common shares in the merger if you are an AT&T shareholder or the proposal to approve the merger agreement if you are a BellSouth shareholder. You should therefore be sure to provide your broker, bank or other nominee with instructions on how to vote your shares.**

Q8: How do I vote?

A8: If you are entitled to vote at your company's special meeting, you can vote in person by completing a ballot at the special meeting, or you can vote by proxy before the special meeting. Even if you plan to attend your

company's special meeting, we encourage you to vote your shares by proxy as soon as possible. After carefully reading and considering the information contained in this joint proxy statement/ prospectus, please submit your proxy by telephone or Internet in accordance with the instructions set forth on the enclosed proxy card, or fill out, sign and date the proxy card, and then mail your signed proxy card in the enclosed envelope as soon as possible so that your shares may be voted at your company's special meeting. For detailed information, please see Information About the AT&T Special Meeting How to Vote beginning on page 70 and Information About the BellSouth Special Meeting How to Vote beginning on page 73. **The vote required to approve the**

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merger agreement at the BellSouth special meeting is a majority of the outstanding BellSouth common shares. Accordingly, a BellSouth shareholder's failure to vote his or her BellSouth common shares will have the same effect as a vote of those shares against the proposal to approve the merger agreement.

Q9: How many votes do I have?

A9: You are entitled to one vote for each AT&T common share that you owned as of the record date. As of the close of business on May 31, 2006, there were approximately 3,883,378,517 outstanding AT&T common shares. As of that date, less than 1% of the outstanding AT&T common shares were held by the directors and executive officers of AT&T.

You are entitled to one vote for each BellSouth common share that you owned as of the record date. As of the close of business on May 31, 2006, there were 1,825,692,542 outstanding BellSouth common shares. As of that date, less than 1% of the outstanding BellSouth common shares were held by the directors and executive officers of BellSouth.

Q10: What if I hold shares in both AT&T and BellSouth?

A10: If you are a shareholder of both AT&T and BellSouth, you will receive two separate packages of proxy materials. **A vote as a BellSouth shareholder for the proposal to approve the merger agreement will not constitute a vote as an AT&T shareholder for the proposal to authorize the issuance of AT&T common shares required to be issued in the merger, or vice versa. THEREFORE, PLEASE SIGN, DATE AND RETURN ALL PROXY CARDS THAT YOU RECEIVE, WHETHER FROM AT&T OR BELL SOUTH, OR VOTE AS BOTH AN AT&T AND BELL SOUTH SHAREHOLDER BY INTERNET OR TELEPHONE.**

Q11: How are my employee plan shares voted?

A11: *For Employees of AT&T:* In certain cases, the proxy card, or a proxy submitted by telephone or through the Internet, will also serve as voting instructions to the plan administrator or trustee for shares held on behalf of a participant under certain employee benefit plans, described on page 70. To ensure that all shares are voted, please sign and return every proxy card received or submit a proxy by telephone or through the Internet for each proxy card. To allow sufficient time for voting by the trustees of the plans, participants in AT&T employee benefit plans must provide voting instructions to the trustees no later than 5:00 p.m. Eastern time on Tuesday, July 18, 2006. For more information about the voting of plan shares by the trustees of the AT&T employee benefit plans, see *Information About the AT&T Special Meeting How to Vote* on page 70.

For Employees of BellSouth: If you are a registered shareholder of BellSouth and/or you own BellSouth common shares through a BellSouth employee benefit plan, and the accounts are in the same name, you will receive a proxy card representing your combined directly-owned and plan-owned shares that will serve as voting instructions to the designated BellSouth proxy, if applicable, and also to the trustees of those plans. To allow sufficient time for voting by the trustees of the plans, participants in BellSouth employee benefit plans must provide voting instructions to the trustees no later than 5:00 p.m. Eastern time on Tuesday, July 18, 2006. For more information about the voting of plan shares by the trustees of the BellSouth employee benefit plans, see *Information About the BellSouth Special Meeting How to Vote* on page 73.

For Employees of Cingular: If you own BellSouth and/or AT&T common shares through the Cingular Wireless 401(k) Savings Plan, and you are also a registered BellSouth and/or AT&T shareholder with your account in the same name, you will receive a proxy card representing the combined BellSouth common shares and a proxy card representing the combined AT&T common shares, each of which will serve as voting

instructions to the applicable designated proxy, and also to the trustees of that plan. To allow sufficient time for voting by the trustees of the plans, participants in the Cingular Wireless 401(k) Savings Plan who hold AT&T or BellSouth shares through that plan must provide voting instructions to the trustees no later than 5:00 p.m. Eastern time on Tuesday, July 18, 2006. For more information about the voting of plan shares by the trustees of the Cingular Wireless 401(k) Savings Plan, see Information About the AT&T Special Meeting How

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to Vote on page 70 and Information About the BellSouth Special Meeting How to Vote on page 73.

Q12: What constitutes a quorum?

A12: Shareholders who hold at least 40% of the AT&T outstanding common shares as of the close of business on the record date and who are entitled to vote must be present or represented by proxy in order to constitute a quorum to conduct business at the AT&T special meeting under AT&T's corporate by-laws.

Shareholders who hold at least 40% of the outstanding BellSouth common shares as of the close of business on the record date must be present, either in person or represented by proxy, in order for there to be a quorum necessary to conduct the BellSouth special meeting.

Q13: What vote is required to approve each proposal?

A13: *To authorize the issuance of AT&T common shares as required by the merger agreement:* the affirmative vote of the holders of a majority of AT&T common shares voting on the proposal, so long as a majority of the AT&T common shares outstanding is voted, is required to approve the proposal to authorize the issuance of AT&T common shares required to be issued pursuant to the merger agreement. Brokers, banks or other nominees holding AT&T common shares as nominees will not have discretionary authority to vote those shares in the absence of instructions from the beneficial owners of those shares.

To approve the merger agreement: the affirmative vote of the holders of a majority of outstanding BellSouth common shares entitled to vote is required to approve the merger agreement. **Because the affirmative vote required to approve the merger agreement is based upon the total number of outstanding BellSouth shares, the failure to submit a proxy card (or to submit a proxy by telephone or by Internet or to vote in person at the BellSouth special meeting) or the abstention from voting by a shareholder will have the same effect as a vote against approval of the merger agreement.** Brokers, banks or other nominees holding BellSouth common shares as nominees will not have discretionary authority to vote those shares in the absence of instructions from the beneficial owners of those shares, so the failure to provide voting instructions to your broker, bank or nominee will also have the same effect as a vote against approval of the merger agreement.

Q14: What are the recommendations of the AT&T and BellSouth boards of directors?

A14: Each board of directors has approved and adopted the merger agreement, approved the transactions contemplated by the merger agreement, including the merger, and determined that these transactions are in the best interests of its shareholders.

The AT&T board of directors recommends that AT&T shareholders vote **FOR** the proposal to authorize the issuance of AT&T common shares required to be issued pursuant to the merger agreement. See The Merger AT&T's Reasons for the Merger beginning on page 27 and The Merger Recommendation of the AT&T Board of Directors on page 29.

The BellSouth board of directors recommends that BellSouth shareholders vote **FOR** the proposal to approve the merger agreement. See The Merger BellSouth's Reasons for the Merger beginning on page 29 and The Merger Recommendation of the BellSouth Board of Directors on page 33.

Q15: What if I return my proxy card but do not mark it to show how I am voting?

A15:

If your proxy card is signed and returned without specifying your choices, your shares will be voted in favor of the merger in accordance with the recommendations of the AT&T or BellSouth board of directors, as the case may be.

Q16: Can I change my vote *after* I have submitted a proxy by telephone or Internet or mailed my signed proxy card?

A16: Yes. You can change your vote by revoking your proxy at any time before it is exercised at the AT&T or BellSouth special meeting.

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You can revoke your proxy in one of three ways: (1) vote again by telephone or Internet prior to midnight on the night before the special meeting; (2) sign another proxy card with a later date and return it prior to the special meeting; (3) attend the AT&T or BellSouth special meeting and complete a ballot; or (4) send a written notice of revocation to the secretary of AT&T or BellSouth.

Q17: What will happen to the dividend on AT&T and BellSouth common shares following completion of the merger?

A17: If the merger is completed, holders of AT&T common shares will continue to receive their dividends, if any, as they have been receiving them from AT&T prior to the merger. After the closing, former BellSouth shareholders who were holders of uncertificated BellSouth common shares, or who were holders of certificated BellSouth common shares and have surrendered their BellSouth share certificates according to the instructions provided to them, will receive the same dividends on the AT&T shares that they receive in the merger that all other holders will receive on AT&T common shares with any dividend record date that occurs after the merger is completed. Former BellSouth shareholders who hold BellSouth share certificates will not be entitled to receive dividends otherwise payable on the AT&T common shares into which their BellSouth shares are exchangeable until they surrender their BellSouth share certificates according to the instructions provided to them. Dividends will be accrued for these shareholders and they will receive the accrued dividends when they surrender their BellSouth share certificates subject to abandoned property laws.

AT&T most recently paid a quarterly dividend on May 1, 2006, in an amount equal to \$0.3325 per AT&T common share. BellSouth most recently paid a quarterly dividend of \$0.29 per BellSouth common share on May 1, 2006. If the merger had been completed before the record date for that dividend payable on an AT&T common share, the 1.325 AT&T common shares that a BellSouth shareholder would have received in the merger for each BellSouth common share would have entitled that shareholder to receive a dividend of \$0.4406, a 52% increase over BellSouth's most recently paid quarterly dividend. All future dividends on AT&T common shares remain subject to approval by the AT&T board of directors, and may be more or less than prior dividends and there can be no assurance that dividends will continue to be paid.

Q18: What are the material United States federal income tax consequences of the merger to U.S. holders of BellSouth common shares?

A18: The merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. A U.S. holder of BellSouth common shares generally will not recognize any gain or loss upon receipt of AT&T common shares solely in exchange for BellSouth common shares in the merger, except with respect to cash received in lieu of a fractional AT&T common share. See *The Merger* Material United States Federal Income Tax Consequences beginning on page 62.

Q19: When do you expect the merger to be completed?

A19: AT&T and BellSouth are working to complete the merger by the end of 2006. However, the merger is subject to various regulatory approvals and other conditions, and it is possible that factors outside the control of both companies could result in the merger being completed at a later time, or not at all. There may be a substantial amount of time between the respective AT&T and BellSouth special meetings and the completion of the merger. AT&T and BellSouth hope to complete the merger as soon as reasonably practicable.

Q20: What do I need to do now?

A20:

Read and consider the information contained in this joint proxy statement/prospectus carefully, and then please vote your shares as soon as possible so that your shares may be represented at your special meeting.

Q21: Should BellSouth or AT&T shareholders send in their share certificates now for the exchange?

A21: No. BellSouth shareholders should keep any share certificates they hold at this time. After the merger is completed, BellSouth shareholders holding share certificates will receive a letter of

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transmittal and instructions on how to obtain AT&T common shares, together with cash in lieu of fractional AT&T common shares, to which they are entitled in exchange for their BellSouth common shares.

AT&T shareholders will not be required to exchange their certificates in connection with the merger, and shareholders holding certificates should keep their share certificates both now and after the merger is completed.

Q22: Who should I call if I have questions about the proxy materials or voting procedures?

A22: If you have questions about the merger, or if you need assistance in submitting your proxy or voting your shares or need additional copies of the joint proxy statement/prospectus or the enclosed proxy card, you should contact the proxy solicitation agent for the company in which you hold shares. If you are an AT&T shareholder, you should contact D.F. King & Co., Inc., the proxy solicitation agent for AT&T, by mail at 48 Wall Street, New York, New York 10005, or by telephone at (800) 431-9643 (toll free) or (212) 269-5550 (collect). If you are a BellSouth shareholder, you should contact Morrow & Co., Inc., the proxy solicitation agent for BellSouth, by mail at Attn: BellSouth Administrator, 470 West Avenue 3rd Floor, Stamford, Connecticut 06902, or by telephone at (877) 366-1576 (toll free). If your shares are held in a stock brokerage account or by a bank or other nominee, you should call your broker, bank or other nominee for additional information.

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SUMMARY

*This summary highlights selected information about the merger in this joint proxy statement/prospectus and does not contain all of the information that may be important to you. You should carefully read this entire joint proxy statement/prospectus and the other documents to which this joint proxy statement/prospectus refers for a more complete understanding of the matters being considered at the special meetings. See *Where You Can Find More Information* beginning on page 134. Unless we have stated otherwise, all references in this joint proxy statement/prospectus to AT&T are to AT&T Inc., all references to BellSouth are to BellSouth Corporation, all references to Merger Sub are to ABC Consolidation Corp., all references to Cingular are references to Cingular Wireless LLC, Cingular Wireless Corporation, or both, as the context requires, all references to ATTC are references to AT&T Corp., a subsidiary of AT&T Inc., all references to SBC are to SBC Communications Inc., which was the former name of AT&T Inc., and all references to the merger agreement are to the Agreement and Plan of Merger, dated as of March 4, 2006, by and among BellSouth, AT&T and Merger Sub, a copy of which is attached as Annex A to this joint proxy statement/prospectus.*

The Companies (Page 24)

BellSouth. BellSouth Corporation was formed in December 1983 as one of several regional holding companies created to hold ATTC's local telephone companies. In 2005, BellSouth had annual revenues of over \$20 billion, net income of almost \$3.3 billion and income from continuing operations of over \$2.9 billion. BellSouth's core business is wireline communications and its largest customer segment is the retail consumer segment. BellSouth is the leading wireline communications service provider in the southeastern United States, serving substantial portions of the population within Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. BellSouth owns a 40% interest in Cingular and shares control with AT&T, which owns a 60% interest in Cingular.

Through BellSouth AnswersSM, residential and small business customers can bundle their local and long distance service with dial up and high speed DSL Internet access, satellite television and Cingular Wireless service. For businesses, BellSouth provides secure, reliable local and long distance voice and data networking solutions. BellSouth also operates one of the largest directory and advertising businesses in the United States.

BellSouth's principal executive offices are located at 1155 Peachtree Street, N.E., Atlanta, Georgia 30309-3610 (telephone number 404-249-2000). BellSouth was incorporated in 1983 under the laws of the State of Georgia and became a publicly traded company in December 1983.

AT&T. AT&T, formerly known as SBC Communications Inc., was formed in December 1983 as one of several regional holding companies created to hold ATTC's local telephone companies. At formation, SBC primarily operated in five southwestern states. SBC acquired Pacific Teles