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1934 Act/ Rule 14a-8

December 11, 2006

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.¹

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

¹ 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").² 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

² The Sidley Austin Opinion is attached to this letter as Attachment A.

preparation of the report and not the taking of any action with respect to such ordinary business matter. Exchange Act Release No. 34-20091 (August 16, 1983).³

The Proposal relates to ongoing litigation involving the company.

The Proposal may be omitted as a matter involving ordinary business because it would improperly interfere with AT&T's legal strategy and the discovery process in at least 20 pending proceedings that to Proponent Kagan allege unlawful acts by AT&T in relation to alleged provision of information to the NSA.

AT&T is presently the defendant in multiple pending lawsuits and other proceedings that generally allege that the company has violated customer privacy rights by providing information and assistance to government entities without proper legal authority, including allegedly providing information to the specific entities described in the proposal. For example, in *Terkel & American Civil Liberties Union of Illinois v. AT&T*, No. 06 C.2837 (N.D. Ill.), plaintiffs alleged that AT&T has provided the National Security Agency with access to calling records of millions of customers in the absence of a court order, warrant, subpoena, or certification from the Attorney General that no such process was required. Similarly, these same allegations were also made in *Hepting v. AT&T*, No. 3:06-CV-006720-VRW (N.D. Cal.), where the plaintiffs also alleged that AT&T had also acted unlawfully by providing the National Security Agency with the contents of communications in the absence of a court order, warrant, or certification from the Attorney General that no such process was required. There are over 20 pending cases that make one or both of these allegations, and these cases have been consolidated for coordinated pretrial proceedings in the United States District Court for the Northern District of California.

In addition, local chapters of the ACLU⁴ have filed complaints with over 20 state utility commissions that allege that AT&T violated state or federal law by providing the NSA with access to customer calling records in the absence of proper legal process. In cases where a state commission has attempted to institute an investigation, the United States has filed actions against AT&T and the state commissions, seeking declarations that these investigations are preempted by federal law and other appropriate relief.⁵

³ This Release addressed Rule 14a-8(c)(7), which is the predecessor to Rule 14a-8(i)(7).

⁴ We note that the web site of the American Civil Liberties Union claims responsibility for "The ACLU Freedom Files," a film, co-executive produced and directed by Proponent Kagan, and that, according to the ACLU web site, alleges that the civil liberties of America are threatened and describes how they have fought back. In the "Viewers Guide," the ACLU repeats the allegation that "Americans' phone calls and e-mails [are monitored] – without court approval. Proponent Kagan now seeks the same information through the shareholder approval process that the ACLU has sought through litigation.

⁵ See *United States v. Zulima V. Farber, et al.*, Civil Action No. 3:06 cv 02683 (D.N.J.); *United States v. Palermino, et al.*, C.A. 3:06-1405 (D. Conn.); *United States v. Adams, et al.*, C.A. 1:06-97 (D. Me.); *United States v. Gaw, et al.*, C.A. 4:06-1132 (E.D. Mo); *United States v. Volz, et al.*, C.A. 2:06-00188 (D. Vt.).

The Proposal repeats the substance of the complaints by repeating the allegation that AT&T "has voluntarily provided customer phone records and communications data to the National Security Agency." The Proposal goes on to call for a report on the policies "surrounding (a) disclosure of the content of customer communications and records to the Federal Bureau of Investigation, NSA and other government agencies without a warrant", disclosure of "AT&T's past expenditures on attorney's fees, experts fees, operations . . . relating to this alleged program, and a report on actions AT&T could take to "further" protect customer information, presumably from the government. All of these matters go directly to the substance of the complaints. The proposal calls for the same information that the plaintiff ACLU and others seek in discovery but sidesteps and interferes with the discovery process.

The Staff has previously acknowledged that a shareholder proposal is properly excludable under the "ordinary course of business" exception when the subject matter of the proposal is the same as or similar to that which is at the heart of litigation in which a registrant is then involved. See, e.g., Reynolds American Inc. (February 10, 2006) (proposal to notify African Americans of the purported health hazards unique to that community that were associated with smoking menthol cigarettes while the company was a defendant in a case alleging the company marketed menthol cigarettes to the African American community was excludable as ordinary business.); R. J. Reynolds Tobacco Holdings, Inc. (February 6, 2004) (proposal requiring company to stop using the terms "light," "ultralight" and "mild" until shareholders can be assured through independent research that such brands reduce the risk of smoking-related diseases excludable under the "ordinary course" exception because it interfered with litigation strategy of class-action lawsuit on similar matters); R. J. Reynolds Tobacco Holdings, Inc. (March 6, 2003) (proposal requiring the company to establish a committee of independent directors to determine the company's involvement in cigarette smuggling excludable under the "ordinary course" exception because it relates to subject matter of litigation in which the registrant was named as a defendant).

This result is also consistent with the longstanding position of the Staff that a registrant's decision to institute or defend itself against legal actions, and decisions on how it will conduct those legal actions, are matters relating to its ordinary business operations and within the exclusive prerogative of management. See, e.g., NetCurrents, Inc. (May 8, 2001) (proposal requiring NetCurrents, Inc. to bring an action against certain persons excludable as ordinary business operations because it relates to litigation strategy); Microsoft Corporation (September 15, 2000) (proposal asking the registrant to sue the federal government on behalf of shareholders excludable as ordinary business because it relates to the conduct of litigation); Exxon Mobil Corporation[*21] (March 21, 2000) (proposal requesting immediate payment of settlements associated with Exxon Valdez oil spill excludable because it relates to litigation strategy and related decisions); Philip Morris Companies Inc. (February 4, 1997) (proposal recommending that Philip Morris Companies Inc. voluntarily implement certain FDA regulations while simultaneously challenging the legality of those regulations excludable under clause (c)(7), the predecessor to the current (i)(7)); Exxon Corporation (December 20, 1995) (proposal