

AT&T INC.  
Form 11-K  
June 25, 2008

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, 2007

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 PLAN  
FOR MANAGEMENT EMPLOYEES

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

AT&T INC.

175 E. Houston, San Antonio, Texas 78205



Financial Statements, Supplemental Schedule and Exhibit

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Plan Administrator of the  
AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees

We have audited the financial statements of the AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees as of December 31, 2007 and 2006, and for the year ended December 31, 2007, 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 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. The Plan is not required to have, nor were we engaged to perform, an audit of its 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 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 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 AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees as of December 31, 2007 and 2006, and the changes in its net assets available for benefits for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed 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, 2007 is presented for the purpose of additional analysis and is not a required part of the basic 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. 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ The Hanke Group, P.C.

San Antonio, Texas

June 20, 2008

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

	December 31,	
	2007	2006
<b>ASSETS</b>		
Investments, at fair value:		
Investment in Master Trust	\$ 5,058	\$ 5,136
Participant loans receivable	76	89
Total Assets, at fair value	5,134	5,225
Adjustment from fair value to contract value for interest in Master Trust relating to fully benefit- responsive investment contracts	6	25
Net Assets Available for Benefits	\$ 5,140	\$ 5,250

See Notes to Financial Statements.

AT&T OF PUERTO RICO, INC.  
 LONG TERM SAVINGS PLAN FOR MANAGEMENT EMPLOYEES  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 FOR THE YEAR ENDED DECEMBER 31, 2007  
 (Dollars in Thousands)

Net Assets Available for Benefits, December 31, 2006	\$ 5,250
Additions to Net Assets:	
Contributions:	
Participant contributions	65
Employer contributions	43
Other	1
	109
Investment Income:	
Net income from investment in Master Trust	329
Interest on participant loans	6
	335
Total Additions	444
Deductions from Net Assets:	
Distributions	554
Total Deductions	554
Net Decrease	(110)
Net Assets Available for Benefits, December 31, 2007	\$ 5,140

See Notes to Financial Statements.

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

1. Plan Description – The AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees (Plan) is a defined contribution plan established by AT&T Corp. (ATTC) to provide a convenient way for eligible management employees of participating ATTC companies to save on a regular and long-term basis. The trustee of the Plan's trust is Eurobank.

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 documents 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).

On November 18, 2005, ATTC was acquired by AT&T Inc. (AT&T or the Company). As a result of the acquisition, the AT&T Corp. common stock held in the AT&T Stock Fund was converted to AT&T common stock based on a conversion ratio.

The Plan invests 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. In October 2007, AT&T established the AT&T Group Investment Trust (Group Trust) to manage assets of pooled investment options between the Plan and the AT&T Savings Plan. The Master Trust began participating in the Group Trust on October 1, 2007 and the AT&T Savings Plan began participating in the Group Trust on November 1, 2007. The trustee of the Master Trust and the Group Trust is Mellon Trust of New England, N.A. (Mellon). Mellon serves as custodian of the Plan's assets. (See Note 5)

Participants can invest their contributions in one or more of twenty-six different funds as set forth in the current Plan documents. 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. Participant contributions may be made up to the Puerto Rico Department of Treasury limit. Employer contributions are made in accordance with the participant's elected investment direction. Employer contributions and earnings thereon are vested after three years of vesting service.

Loans are available to all participants in an amount not less than \$1 and up to a maximum of 50% of the participant's vested account balance or \$50 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. Loan transactions are treated as a transfer to (from) the investment funds from (to) the Participant Loan Account and shall not exceed a term of 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. Interest rates are fixed for the term of the loans and ranged from 4.00% to 8.25% on participant loans outstanding at December 31, 2007.

There were no participant forfeitures in 2007. The total forfeited non-vested accounts were \$50 as of December 31, 2007 and \$47 as of December 31, 2006. Forfeitures may be used to reduce future employer contributions and administrative expenses. During 2007, no employer contributions were reduced by forfeitures.

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 of Plan termination, the Plan



provides that the net assets are to be distributed to participating employees in amounts equal to their respective interest in such assets.

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AT&T OF PUERTO RICO, INC.  
LONG TERM SAVINGS PLAN FOR MANAGEMENT EMPLOYEES  
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, which require management to make estimates that affect the amounts reported in the financial statements and accompanying notes. The most significant estimates relate to the valuation of the investments. Actual results could differ from those estimates.

Investments are stated at fair value. 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. Cash and temporary assets are stated at fair value.

Common/collective trust funds are valued at quoted redemption values that represent the net asset values of units held at year-end which management has determined approximates fair value. 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 receivable are valued at cost, which approximates fair value. Participant loans are assets of the Plan and are not part of the Master Trust.

As required by Financial Accounting Standards Board Staff Position AAG INV-1 and SOP 94-4-1, “Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans” (the FSP), 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). Prior to November 1, 2007, the Master Trust invested in GICs and Synthetic GICs. As required by the FSP, the fair value of the GICs is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations. The underlying investments of the Synthetic GICs are valued at quoted redemption values on the last business day of the Plan’s year-end. The fair value of the wrap 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 recorded on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Benefits are recorded when paid. Income and assets of the Master Trust are allocated to the Plan based on participant balances.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (FAS 157). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Plan management is currently evaluating the impact of FAS 157.

3. Tax Status –The Puerto Rico Department of Treasury has determined and informed AT&T by a letter dated May 31, 1995, that the Plan and related trust are qualified in accordance with applicable sections of the Puerto Rico Income Tax Act of 1954 (Act). The Act has been amended and restated as the Puerto Rico Internal Revenue Code of 1994 (1994 Code). The Plan has been amended and restated since receiving the determination letter. The plan administrator, however, believes that the Plan is qualified and is currently being operated in compliance with the applicable requirements of the 1994 Code. Since the Plan and its associated trust are tax-exempt under the 1994 Code, no provision for income taxes has been included in the Plan’s financial statements.

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

4. Plan Expenses – In general, fees paid for Plan administration, including recordkeeping (except for such services as are attributable to the participant loan program), are paid from the Master Trust. Fees for Mellon’s services are paid out of Master Trust assets. Expenses attributable to the management and investment of each of the investment funds are charged against those respective funds.
5. Master Trust Investments – The Master Trust investments presented as of December 31, 2007 are those held by Mellon, as trustee of the AT&T Savings Master Trust. The Master Trust investments presented as of December 31, 2006 are those that were held by the Master Trust’s former trustee, State Street Bank and Trust Company. In 2007, AT&T changed the trustee of the Master Trust to Mellon and established the AT&T Group Investment Trust (Group Trust), of which the Master Trust is a participant.

## Master Trust Investments

	2007	2006
Short-term securities	\$ 10,854	\$ 13,179
Common stocks	1,249,715	1,008,878
Registered investment companies	3,305,791	3,440,944
Commingled funds 1	322,601	1,455,784
Investment in AT&T Group Investment Trust (at fair value)	3,957,831	-
Investment contracts (at fair value): 1		
Guaranteed investment contracts	-	136,056
Synthetic investment contracts		
Short-term investments	-	62,116
Asset-backed securities	-	711,685
Consumer loans receivable	-	283,673
Corporate bonds	-	809,478
Government securities	-	890,859
Derivatives		