

[Table of Contents](#)

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)*

**Copies to:**

**Joseph B. Frumkin, Esq.  
Eric M. Krautheimer, Esq.  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004  
Tel: (212) 558-4000  
Fax: (212) 558-3588**

**Wayne A. Wirtz, Esq.  
AT&T Inc.  
175 East Houston  
San Antonio, Texas 78205  
Tel: (210) 821-4105  
Fax: (210) 351-3467**

**Stacey K. Geer, Esq.  
BellSouth Corporation  
1155 Peachtree Street, N.E.  
Atlanta, Georgia 30309  
Tel: (404) 249-4445  
Fax: (404) 249-4766**

**Arthur Fleischer, Jr., Esq.  
Philip Richter, Esq.  
Fried, Frank, Harris,  
Shriver & Jacobson LLP  
One New York Plaza  
New York, New York 10004  
Tel: (212) 859-8000  
Fax: (212) 859-4000**

**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.**

[Table of Contents](#)**RISK FACTORS**

*In addition to the other information included or incorporated by reference into this joint proxy statement/prospectus, including the matters addressed under the caption “Cautionary Statement Concerning Forward-Looking Statements” beginning on page 137, you should carefully consider the matters described below in deciding whether, in the case of AT&T shareholders, to vote to approve the proposal to authorize the issuance of AT&T common shares required to be issued pursuant to the merger agreement or, in the case of BellSouth shareholders, to approve the merger agreement.*

**Risk Factors Relating to the Merger**

***Because the market price of AT&T common shares will fluctuate, BellSouth shareholders cannot be sure of the market value of the AT&T common shares that they will receive in the merger.***

When we complete the merger, BellSouth common shares will be converted into the right to receive 1.325 AT&T common shares. The exchange ratio is fixed and will not be adjusted for changes in the market price of either AT&T common shares or BellSouth common shares. The merger agreement does not provide for any price-based termination right. Accordingly, the market value of the AT&T common shares that BellSouth shareholders will be entitled to receive when we complete the merger will depend on the market value of AT&T common shares at the time that we complete the merger and could vary significantly from the market value on the date of this joint proxy statement/prospectus or the date of the BellSouth special meeting. The market value of the AT&T common shares will likely continue to fluctuate after the completion of the merger. For example, during the fourth calendar quarter of 2005 and the first calendar quarter of 2006, the market price of AT&T common shares ranged from a low of \$21.75 to a high of \$28.82, all as reported on the NYSE composite transactions reporting system. See “Comparative Per Share Market Price Data and Dividend Information” on page 16.

These variations could result from changes in the business, operations or prospects of BellSouth or AT&T or Cingular prior to or following the merger, regulatory considerations, general market and economic conditions and other factors both within and beyond the control of AT&T or BellSouth. We will likely complete the merger a considerable period after the date of the BellSouth special meeting. As such, at the time of the special meetings, BellSouth shareholders will not know with certainty the value of the AT&T common shares that they will receive upon completion of the merger.

***Our ability to complete the merger is subject to the receipt of consents and approvals from government entities, which may impose conditions that could have an adverse effect on AT&T or could cause us to abandon the merger.***

We are unable to complete the merger until after the applicable waiting period under the HSR Act expires or terminates and we receive approvals from various local, state, federal and foreign governmental entities, including the FCC. In deciding whether to grant some of these approvals, the relevant governmental entity will consider the effect of the merger on competition in various jurisdictions. The terms and conditions of the approvals that are granted may require us to divest certain assets or operations of AT&T or BellSouth or may impose other conditions.

The merger agreement requires us to accept significant conditions from these regulators before either of us may refuse to close the merger on the basis of those regulatory conditions. We can provide no assurance that we will obtain the necessary approvals or that any required divestitures or other conditions will not have a material adverse effect on AT&T following the merger. In addition, we can provide no assurance that these conditions will not result in the abandonment of the merger. See “The Merger — Regulatory Matters Related to the Merger” beginning on page 65 and “The Merger Agreement — Conditions to the Merger” beginning on page 91.

***Any delay in completing the merger may reduce or eliminate the benefits expected.***

In addition to the required regulatory approvals, the merger is subject to a number of other conditions beyond our control that may prevent, delay or otherwise materially adversely affect its completion. We

## Table of Contents

cannot predict whether and when these other conditions will be satisfied. Further, the requirements for obtaining the required clearances and approvals could delay the completion of the merger for a significant period of time or prevent it from occurring. Any delay in completing the merger could cause us not to realize some or all of the synergies that we expect to achieve if the merger is successfully completed within its expected timeframe. See “The Merger Agreement — Conditions to the Merger” beginning on page 91.

***Because directors and executive officers of BellSouth have interests in seeing the merger completed that are different than those of BellSouth’s other shareholders, directors of BellSouth have potential conflicts of interest in recommending that BellSouth shareholders vote to approve the merger agreement.***

Directors of BellSouth have arrangements or other interests that provide them with interests in the merger that are different than those of BellSouth’s other shareholders. For example, the merger agreement provides that three directors of BellSouth will become directors of AT&T after the merger. While other BellSouth directors will not become directors of AT&T after the merger, in either case, AT&T will indemnify and maintain liability insurance for each of the BellSouth directors’ services as directors of BellSouth before the merger. In addition, the executive officers of BellSouth have change in control and severance arrangements and other interests that are different than the interests of BellSouth shareholders. For example, if all of BellSouth’s eight executive officers were terminated other than for cause or for good reason prior to (in contemplation of the merger) or within two years following completion of the merger, they would be entitled to cash severance payments estimated to be approximately \$32 million in the aggregate. These and other material interests of the directors and executive officers of BellSouth in the merger that are different than those of the other BellSouth shareholders are described under “The Merger — Interests of BellSouth Executive Officers and Directors in the Merger” beginning on page 58.

***The merger agreement contains provisions that could discourage a potential competing acquiror that might be willing to pay more for the BellSouth shares than is being paid by AT&T in the merger or could result in any competing proposal being at a lower price than it might otherwise be.***

The merger agreement contains “no shop” provisions that, subject to limited exceptions, restrict BellSouth’s ability to solicit, facilitate, discuss or commit to competing third-party proposals to acquire all or a significant part of BellSouth. Further, there are only limited exceptions to BellSouth’s agreement that the BellSouth board of directors will not withdraw or qualify in a manner that could reasonably be understood as adverse to AT&T or its recommendation of the merger agreement, and AT&T generally has a right to match any competing acquisition proposals that may be made. Although the BellSouth board of directors is permitted to terminate the merger agreement in response to a superior proposal if it determines that doing so is necessary to comply with its fiduciary duties, BellSouth would, under these circumstances, be required to pay a \$1.7 billion termination fee to AT&T. In addition, if a third party publicly makes a proposal for a competing transaction with BellSouth before the special meeting and BellSouth’s shareholders do not approve the merger, BellSouth will be required to pay AT&T a \$1.7 billion termination fee if within 12 months thereafter, BellSouth completes or enters into an agreement for an alternative acquisition transaction. Furthermore, if the BellSouth shareholders do not approve the merger for any reason, whether or not a third party has publicly made a proposal for a competing transaction with BellSouth, BellSouth would be required to reimburse up to \$120 million of AT&T’s expenses in connection with the merger (this reimbursement would be applied to reduce the amount of any termination fee, if paid). Moreover, although BellSouth’s board of directors is permitted to withdraw its recommendation of the merger in response to a superior proposal, if it believes that doing so is necessary to comply with its fiduciary duties, its doing so would entitle AT&T to terminate the merger agreement and to collect reimbursement of expenses from BellSouth of up to \$120 million (which would be applied to reduce the termination fee, if paid). In addition, the termination fee of \$1.7 billion could become payable if BellSouth completes, or enters into an agreement with respect to, an alternative acquisition transaction during the 12 months following the termination. We describe these provisions under “The Merger Agreement — Covenants and Agreements — Acquisition Proposals” beginning on page 84, “— Termination of the Merger Agreement” beginning on page 94 and “— Termination Fees and Expenses” beginning on page 95.

## Table of Contents

These provisions could discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of BellSouth from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than that proposed to be paid in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire BellSouth than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable to AT&T in certain circumstances.

If the merger is terminated and BellSouth determines to seek another business combination, BellSouth may not be able to negotiate a transaction with another company on terms comparable to, or better than, the terms of the merger.

### **Risk Factors Relating to AT&T Following the Merger**

***AT&T may fail to realize the anticipated cost savings, revenue enhancements and other benefits expected from the merger, which could adversely affect the value of AT&T common shares after the merger.***

The merger involves the integration of AT&T and BellSouth, two companies that have previously operated independently, and Cingular, their joint venture. AT&T and BellSouth entered into the merger agreement with the expectation that, among other things, the merger would combine the two companies' local exchange businesses, provide the combined company with access to BellSouth's fiber network and put control of Cingular in one company, all of which is expected to create opportunities to achieve cost savings and revenue synergies, to share technological developments and to achieve other synergistic benefits.

Delays we encounter in the transition process could have a material adverse effect on the revenues, expenses, operating results and financial condition of the combined company. Although AT&T and BellSouth expect significant benefits, such as increased cost savings, to result from the merger, there can be no assurance that the combined company will actually realize these anticipated benefits.

The value of AT&T common shares following completion of the merger may be affected by the ability of the combined company to achieve the benefits expected to result from completion of the merger. Achieving the benefits of the merger will depend in part upon meeting the challenges inherent in the successful combination of three business enterprises of the size and scope of AT&T, BellSouth and Cingular and the possible resulting diversion of management attention for an extended period of time. There can be no assurance that we will meet these challenges and that such diversion will not negatively impact the operations of the combined company following the merger. This risk may be heightened due to the fact that AT&T just recently completed the merger of SBC and ATTC, and management attention has been focused and continues to be focused on combining those two business enterprises. See "The Merger — AT&T's Reasons for the Merger" beginning on page 27.

***AT&T has incurred substantial expenses related to the integration of ATTC and expects to incur additional substantial expenses related to the continued integration of ATTC, the continued integration of AT&T Wireless and Cingular and the integration of BellSouth as a result of the merger.***

AT&T has incurred, and continues to incur, substantial expenses in connection with the integration of the businesses, policies, procedures, operations, technologies and systems of ATTC. At the same time, Cingular has incurred substantial expenses in connection with the integration of AT&T Wireless Services, Inc., which we refer to as AT&T Wireless, which Cingular acquired in October 2004. AT&T expects to incur substantial expenses in connection with the integration of the businesses, policies, procedures, operations, technologies, systems and personnel of BellSouth with those of AT&T. These include certain integration expenses related to AT&T's assumption of 100% ownership of Cingular in connection with the merger.

There are a large number of systems that must be integrated, including management information, purchasing, accounting and finance, sales, billing, payroll and benefits, fixed asset and lease administration systems and regulatory compliance. While AT&T has assumed that a certain level of expenses would be incurred, there are a number of factors beyond its control that could affect the total amount or the timing

## Table of Contents

of all of the expected integration expenses including, among others, constraints arising under U.S. federal or state antitrust laws (such as limitations on sharing of information) that may prevent or hinder AT&T from fully developing integration plans and constraints arising as a result of the regulatory approval process. Moreover, many of the expenses that will be incurred, by their nature, are impracticable to estimate at the present time. These expenses could, particularly in the near term, exceed the savings that AT&T expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings and revenue synergies related to the integration of the businesses following the completion of the merger. These integration expenses likely will result in AT&T taking significant charges against earnings, both cash and non-cash, primarily from the amortization of intangibles following the completion of the merger. The amount and timing of any such charges are uncertain at present.

***The combined company's indebtedness following the completion of the merger will be higher than AT&T's existing indebtedness. This increased level of indebtedness could adversely affect AT&T in many ways, including by reducing funds available for other business purposes.***

The indebtedness of AT&T as of April 30, 2006 was approximately \$31,315,000,000. AT&T's pro forma indebtedness as of April 30, 2006, after giving effect to the merger and taking into account Cingular's indebtedness to parties other than AT&T and BellSouth, was approximately \$62,000,000,000. As a result of the increase in debt, demands on AT&T's cash resources may increase after the merger. AT&T also expects to repurchase approximately \$10 billion of its shares by the end of 2007, the funding of which will increase demands on AT&T's cash resources and potentially increase its debt levels. The increased levels of indebtedness could reduce funds available to AT&T for investment in research and development and capital expenditures or create competitive disadvantages for AT&T compared to other companies with lower debt levels.

***Uncertainties associated with the merger may cause a loss of employees and may otherwise materially adversely affect the future business and operations of AT&T, BellSouth and Cingular.***

AT&T's success after the merger will depend in part upon the ability of AT&T to retain key employees of AT&T, BellSouth and Cingular. Competition for qualified personnel can be intense. Current and prospective employees of AT&T, BellSouth and Cingular may experience uncertainty about their post-merger roles with AT&T following the merger. This may materially adversely affect the ability of each of AT&T, BellSouth and Cingular to attract and retain key management, sales, marketing, technical and other personnel. In addition, key employees may depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with AT&T following the merger. Accordingly, no assurance can be given that AT&T will be able to attract or retain key employees of AT&T, BellSouth and Cingular to the same extent that those companies have been able to attract or retain their own employees in the past.

Technological innovation is important to AT&T's success and depends, to a significant degree, on the work of technically skilled employees. Competition for the services of these types of employees is vigorous. AT&T cannot provide assurance that it will be able to attract and retain these employees following the merger with BellSouth. If, following the merger, AT&T were unable to attract and maintain technically skilled employees, the competitive position of AT&T could be materially adversely affected.

Similarly, in connection with the pendency of the merger, some of our and Cingular's customers and strategic partners may delay or defer decisions to use our or Cingular's services. This could negatively impact our and Cingular's revenues, earnings and cash flows, as well as the market prices of AT&T common shares and BellSouth common shares, regardless of whether we are able to complete the merger.

***AT&T will continue to face significant competition, which may reduce its market share and lower its profits.***

Rapid development in telecommunications technologies, such as wireless, cable and Voice over Internet Protocol (VoIP), has significantly increased competition in the telecommunications industry. As a

## Table of Contents

result, AT&T will compete not only with other traditional telephone companies including long distance carriers, but also with new competitors such as wireless companies, cable companies and VoIP providers. These competitors are typically subject to less or no regulation and therefore are able to offer services at lower cost. In addition, these competitors also have lower cost structures compared to AT&T, due in part to the absence of a unionized workforce at the competitors, their offering of lower benefits to employees and their having fewer retirees (as most of the competitors are relatively new companies). The increased competition will put further pressure on the price of the services provided by AT&T following the merger and may result in reduced revenues and loss of profits.

***AT&T's future growth will depend upon its ability to implement its business strategy.***

AT&T's business strategy following the merger will continue to be focused on providing integrated, high-quality and competitively priced communications solutions and services. AT&T cannot provide assurance that the implementation of these initiatives will not be delayed, or that they will ever be successfully implemented, whether due to factors within AT&T's control, such as failure to execute these initiatives, or factors outside of AT&T's control, such as a change in general economic or regulatory conditions. Even if these initiatives are implemented, AT&T cannot assure you that they will allow AT&T to increase its revenues from its existing service offerings or from emerging communications services.

***AT&T's ability to maintain leading technological capabilities is uncertain and its failure to do so could lead to a material adverse effect on its future competitive position and financial performance.***

AT&T's operating results will depend to a significant extent upon its ability to continue to expand its business to include other communications services and to reduce costs of its existing services. AT&T cannot assure you that it will successfully develop and market new service opportunities in a timely or cost-effective manner. The success of new service development depends on many factors, including proper identification of customer needs, cost, timely completion and introduction, differentiation from offerings of competitors and market acceptance.

Technology in the telecommunications industry changes rapidly as new technologies are developed, which could cause AT&T's products and services to become obsolete. AT&T cannot assure you that it and its suppliers will be able to keep pace with technological developments. If the new technologies on which AT&T intends to focus its research and development investments fail to achieve acceptance in the marketplace, AT&T could suffer a material adverse effect on its future competitive position that could cause a reduction in its revenues and earnings. For example, competitors of AT&T could be the first to obtain proprietary technologies that are perceived by the marketplace as being superior. Further, after substantial research and development costs, one or more of the technologies under development by AT&T or any of its strategic partners could become obsolete prior to its introduction. In addition, delays in the delivery of components or other unforeseen problems in AT&T's telecommunication systems may occur that could materially adversely affect its ability to generate revenue, offer new services and remain competitive.

***The success of AT&T's Project Lightspeed broadband initiative will depend on the timing, extent and cost of deployment, the development of attractive and profitable service offerings and the extent to which regulatory, franchise fees and build-out requirements apply to this initiative.***

The trend in telecommunications technology is to shift from the traditional circuit and wire-based technology to Internet Protocol-based technology, which we refer to as IP. IP-based technology can transport voice and data, as well as video, from both wired and wireless networks. IP-based networks also potentially cost less to operate than traditional networks. AT&T's competitors, many of which are newer companies, are deploying this IP-based technology. In order to continue to offer attractive and competitively-priced services, AT&T is deploying a new broadband network to offer IP-based voice, data and video services. AT&T has been building out its network in numerous locations and began providing services, including IP video, in one limited market in late 2005. AT&T's goal in this controlled market entry is to fully apply its new operating and back-office systems, gain information on customer preferences

## Table of Contents

and, if needed, to fine-tune the service. To that end, AT&T has restricted the number of customers and services offered to the necessary minimum. Subject to successful results from this controlled market entry and successful testing of its additional IP video services, AT&T plans to enter 15 to 20 additional markets by the end of 2006. During that expansion, AT&T expects to add additional features to its IP video service offering. AT&T expects to spend approximately \$4.6 billion on its Project Lightspeed initiative to reach nearly 19 million households by year-end 2008 as part of its initial deployment. Using a new and sophisticated technology on a very large scale entails risks but also presents opportunities to expand service offerings to customers. Should deployment of this network be delayed or costs exceed expected amounts, AT&T's margins would be adversely affected and these effects could be material. Should regulatory requirements be different than AT&T anticipated, deployment could be delayed, perhaps significantly, or limited to only those geographical areas where regulation is not burdensome. In addition, should the delivery of services expected to be deployed on our network be delayed due to technological or regulatory constraints or other reasons, or the cost of providing these services becomes higher than expected, customers may decide to purchase services from competitors which would adversely affect AT&T's revenues and margins, and these effects could be material.

### ***Changes to federal and state regulations and decisions in regulatory proceedings could materially adversely affect AT&T's future competitive position and financial performance.***

The wireline and ATTC subsidiaries of AT&T are subject to significant federal and state regulation, while many of the competitors of AT&T are not. The adoption of new regulations or changes to existing regulations could significantly increase costs, which either would reduce AT&T's operating margins or potentially could increase customer turnover should AT&T attempt to increase prices to cover its increased costs. In addition, the development of new technologies, such as IP-based services, has created or potentially could create conflicting regulation between the FCC and various state and local authorities, which may involve lengthy litigation to resolve and may result in outcomes unfavorable to us.

### ***Resales of AT&T common shares following the merger and additional obligations to issue AT&T common shares may cause the market price of AT&T common shares to fall.***

As of May 31, 2006, AT&T had approximately 3,883,378,517 common shares outstanding and approximately 376,311,739 common shares subject to outstanding options and other rights to purchase or acquire its shares. AT&T currently expects that it will issue approximately 2,400,000,000 AT&T common shares in connection with the merger. The issuance of these new AT&T common shares and the sale of additional AT&T common shares that may become eligible for sale in the public market from time to time upon exercise of options (including a substantial number of AT&T options that will replace existing BellSouth options) could have the effect of depressing the market price for AT&T common shares.

In addition, many BellSouth shareholders are already shareholders of AT&T. Those shareholders may decide not to hold the additional AT&T shares they will receive in the merger. The sale of those AT&T shares could also have the effect of depressing the market price for the AT&T common shares.

### ***The trading price of AT&T common shares may be affected by factors different from those affecting the price of BellSouth common shares.***

When we complete the merger, holders of BellSouth common shares will become holders of AT&T common shares. The results of operations of AT&T, as well as the trading price of AT&T common shares, after the merger may be affected by factors different from those currently affecting BellSouth's results of operations and the trading price of BellSouth common shares. For a discussion of the businesses of AT&T and BellSouth and of certain factors to consider in connection with those businesses, see the documents incorporated by reference in this joint proxy statement/prospectus and referred to under "Where You Can Find More Information" beginning on page 136.

## Table of Contents

### ***Cingular faces substantial competition in all aspects of its business as competition continues to increase in the wireless communications industry.***

Under current FCC rules, six or more PCS licensees, two cellular licensees and one or more enhanced specialized mobile radio licensees may operate in each of Cingular's service areas. On average, Cingular has three to four other wireless competitors in each of its service areas and competes for customers based principally on price, service offerings, call quality, coverage area and customer service.

Cingular's competitors are principally three national and a larger number of regional providers of cellular, PCS and other wireless communications services. Cingular also competes with resellers and wireline service providers. Moreover, Cingular may experience significant competition from companies that provide similar services using other communications technologies and services. While some of these technologies and services are now operational, others are being developed or may be developed in the future.

AT&T expects that intense industry competition and market saturation likely will cause the wireless industry's customer growth rate to moderate in comparison with historical growth rates. This competition will continue to put pressure on pricing, margins and customer turnover as the carriers compete for potential customers. The substantial competition Cingular is facing could have a material adverse effect on its ability to achieve revenue and profit growth, and this in turn could hurt AT&T's bottom line.

As a result of the merger, AT&T's ownership of Cingular will increase from 60% to 100% and the proportion of AT&T's business represented by Cingular will increase. As a result, AT&T's exposure to risks that Cingular faces and to the risks associated with operating a wireless telecommunications business will increase.

### ***Uncertainty in the U.S. securities markets and adverse medical cost trends could cause AT&T's pension and postretirement costs to increase further following the merger.***

AT&T's pension and postretirement costs have increased in recent years, primarily due to a continued increase in medical and prescription drug costs. Investment returns of AT&T's pension funds depend largely on trends in the U.S. securities markets and the U.S. economy in general. In particular, uncertainty in the U.S. securities markets and U.S. economy could result in investment returns less than those previously assumed and a decline in the value of plan assets used in pension and postretirement calculations, which AT&T will be required to recognize over the next several years under U.S. generally accepted accounting principles. Should the securities markets decline and medical and prescription drug costs continue to increase significantly, AT&T would expect to face increasing annual combined net pension and postretirement costs.