

AT&T INC.  
Form 8-K  
December 19, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported) December 19, 2011

AT&T INC.  
(Exact Name of Registrant as Specified in Charter)

Delaware (State or Other Jurisdiction of Incorporation)	1-8610 (Commission File Number)	43-1301883 (IRS Employer Identification No.)
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208 S. Akard St., Dallas, Texas (Address of Principal Executive Offices)	75202 (Zip Code)
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Registrant's telephone number, including area code (210) 821-4105

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(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240-14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On December 19, 2011, AT&T Inc. (referred to as “we” or “AT&T”) amended and extended for an additional one-year term its existing \$5 billion, four-year revolving credit agreement (the "Four-Year Agreement"). AT&T also entered into a new \$5 billion, 364-day revolving credit agreement (“364-day Agreement”), with certain investment and commercial banks, to replace its expiring 364-day revolving credit agreement dated as of December 20, 2010. In the event advances are made under either agreement, those advances would be used for general corporate purposes.

The summary descriptions of the Four-Year Agreement and the 364-day Agreement contained in these items 1.01 and 2.03 do not purport to be complete and are qualified in their entirety by reference to the Four-Year Agreement and the 364-day Agreement, which are incorporated by reference as Exhibits 10-a and 10-b to this Current Report on Form 8-K and are incorporated herein by reference.

Four-Year Agreement

The amendments to the Four-Year Agreement include, but are not limited to, (i) changing the interest rate charged for advances from a rate based on AT&T’s credit default swap spread to a fixed spread; (ii) decreasing the amount payable as facilities fees, and (iii) at AT&T’s option, adding subsidiaries as additional borrowers, with or without a guarantee provided by AT&T Inc., subject to conditions provided in the agreement. The terms of such guarantee are set forth in the agreement.

The obligations of the lenders under the Four-Year Agreement to provide advances will terminate on December 19, 2015, unless prior to that date either: (i) AT&T and, if applicable, a Co-Borrower, reduces to \$0 the commitments of the lenders under the Agreement or (ii) certain events of default occur. The Agreement also provides that AT&T and lenders representing more than fifty percent of the facility amount may agree to extend their commitments under the Agreement for an additional one year beyond the December 19, 2015 termination date, under certain circumstances.

Advances would bear interest, at AT&T's option, either:

- at a variable annual rate equal to the highest of: (1)(a) the base (or prime) rate of the bank affiliate of Citibank, N.A. which is serving as administrative agent under the Agreement, (b) ½% per annum above the Federal funds rate, and (c) the London interbank offered rate (“Libor”) applicable to U.S. Dollars for a period of one month plus 1.00%, plus (2) an applicable margin, as set forth in the Agreement (“Applicable Margin”); or
- at a rate equal to: (i) the London interbank offered rate ("Libor") for a period of one, two, three or six months, as applicable, plus (ii) the “Applicable Margin”.

The Applicable Margin will equal 0.560% if its unsecured long-term debt is rated at least A+ by Standard and Poor’s or Fitch, Inc. or A1 by Moody’s Investors Service. The Applicable Margin will be 0.670% per annum if AT&T’s unsecured long-term debt ratings are A or A2 and will be 0.900% per annum in the event AT&T’s unsecured long-term debt ratings are A- and A3 (or below).

AT&T will also pay a facility fee of 0.0650%, 0.080%, or 0.10%, depending on AT&T's credit rating, of the amount of lender commitments.

In the event that AT&T's unsecured long-term debt ratings are split by S&P, Moody's and Fitch, then the Applicable Margin will be determined by the highest of the three ratings, except that in the event the lowest of such ratings is more than one level below the highest of such ratings, then the Applicable Margin will be determined based on the level that is one level above the lowest of such ratings.

As of the date of this filing, AT&T's unsecured long-term debt is rated A- by S&P, A2 by Moody's and A by Fitch. S&P, Moody's and Fitch may change their ratings at any time and AT&T disclaims any obligation to provide notice of any changes to these ratings.

#### 364-day Agreement

The obligations of the lenders under the 364-day Agreement to provide advances will terminate on December 17, 2012, unless prior to that date either: AT&T, and if applicable, a Co-Borrower, reduces to \$0 the commitments of the lenders under such Agreement, or (ii) certain events of default occur. The 364-day Agreement also provides that AT&T and lenders representing more than 50 percent of the facility amount may agree to extend their commitments under such Agreement for an additional 364-day period beyond the December 17, 2012 termination date, under certain circumstances. AT&T also has the right to convert all or part of outstanding advances under the 364-day Agreement into term loan(s) maturing no later than the first anniversary of the termination date, under certain circumstances. AT&T has the right to terminate, in whole or in part, amounts committed by the lenders under the Agreement in excess of any outstanding advances; however, any such terminated commitments may not be reinstated. The 364-day Agreement contains provisions substantially identical to the Four-Year Agreement permitting subsidiaries to be added as additional borrowers, with or without a guarantee by AT&T Inc. The terms of such guarantee are set forth in the agreement.

Advances would bear interest, at AT&T's option, either:

- at a variable annual rate equal to the highest of: (1) (a) the base (or prime) rate of the bank affiliate of Citibank, N.A. which is serving as administrative agent under such Agreement, (b) ½ % per annum above the Federal funds rate, and (c) the Libor for a period of one month plus 1.00%, plus (2) an applicable margin as set forth in such Agreement ("Applicable Margin"); or
- at a rate equal to: (i) Libor for a period of one, two, three or six months, as applicable, plus (ii) the "Applicable Margin".

The Applicable Margin is based on the same credit-rating formula as described above for the Four-Year Agreement except that the amount will be 0.595%, 0.710% or 0.950% depending on the level of AT&T's credit rating. Similarly, the facility fee will be 0.03%, 0.04% or 0.05%, depending on the level of AT&T's credit rating.

Advances under the 364-day Agreement are not conditioned on the absence of a material adverse change. Repayment of all advances must be made no later than the date on which lenders are no longer obligated to make any advances under the 364-day Agreement.

The 364-day Agreement contains a negative pledge covenant, which requires that, if at any time AT&T or a subsidiary pledges assets or otherwise permits a lien on its properties, advances under the agreement will be ratably secured, subject to specified exceptions. In the event AT&T elects to convert any outstanding advances to term loan(s), a financial ratio covenant would apply while such term loan(s) were outstanding. This financial ratio covenant is identical to the covenant in the amended Four-Year Agreement and provides that AT&T will maintain, as of the last day of each fiscal quarter, a ratio of not more than 3.0 to 1 of:

(A) all items that would be treated under accounting principles generally accepted in the United States (GAAP) as specified in the agreement as indebtedness on AT&T's consolidated balance sheet, to

(B) the net income of AT&T and its consolidated subsidiaries, determined on a consolidated basis for such period in accordance with GAAP, adjusted to exclude the effects of (a) gains or losses from discontinued operations, (b) any extraordinary or other non-recurring non-cash gains or losses (including non-cash restructuring charges), (c) accounting changes including any changes to Accounting Standards Codification 715 (or any subsequently adopted standards relating to pension and postretirement benefits) adopted by the Financial Accounting Standards Board after the date hereof, (d) interest expense, (e) income tax expense or benefits, (f) depreciation, amortization and other non-cash charges (including actuarial gains or losses from pension and postretirement plans), (g) interest income, (h) equity income and losses and (i) other non-operating income or expense. In the event the Borrower acquires or disposes of a material business (as defined in the Agreement) and pro forma financial statements are provided, then net income would be as shown on those statements, subject to the adjustments described above.

Defaults under the 364-day Agreement, which would permit the lenders to accelerate required repayment and which would increase the Applicable Margin by 2.00% per annum, include:

- (i) we fail to pay principal or interest, or other amounts under the agreement beyond any grace period;
- (ii) we fail to pay when due other debt of \$400 million or more that results in acceleration of that debt or a creditor commences enforcement proceedings within a specified period after a money judgment of \$400 million or more has become final;
- (iii) a person acquires beneficial ownership of more than fifty percent of our common shares or more than majority of our directors changes in any 24-month period other than as elected by the remaining directors;
- (iv) material breaches of representations or warranties in the agreement;
- (v) we fail to comply with other covenants under the agreement for a specified period after notice;
- (vi) we fail to comply with the negative pledge or debt-to-EBITDA ratio covenants described above;
- (vii) we fail to make certain minimum funding payments under the Employee Retirement Income Security Act of 1974, as amended (ERISA);
- (viii) our bankruptcy or insolvency.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

10-a Four-Year Credit Agreement dated as of December 19, 2011

10-b 364-day Credit Agreement dated as of December 19, 2011

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AT&T INC.

Date: December 19, 2011      By: /s/ Paul W. Stephens  
Paul W. Stephens  
Senior Vice President and Controller