

AT&T INC.  
Form 11-K  
June 30, 2009

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, 2008

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 LONG TERM SAVINGS AND  
SECURITY PLAN

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

AT&T INC.

208 S. Akard, Dallas, Texas 75202

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 Long Term Savings and Security Plan

We have audited the accompanying statement of net assets available for benefits of AT&T Long Term Savings and Security Plan as of December 31, 2008, and the related statement of changes in net assets available for benefits for the year then ended. 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 audit. The financial statements of AT&T Long Term Savings and Security Plan as of December 31, 2007 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 24, 2008.

We conducted our audit 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. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audit 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2008, and the changes in its net assets available for benefits for the year then ended, in conformity with US generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2008, is presented for purposes of additional analysis and is not a required part of the 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. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

Dallas, Texas  
June 26, 2009



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Plan Administrator of the  
AT&T Long Term Savings and Security Plan

We have audited the financial statements of the AT&T Long Term Savings and Security Plan 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 Long Term Savings and Security Plan 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

This report is a copy of the previously issued report. The Hanke Group, P.C. has not reissued this report.

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AT&T LONG TERM SAVINGS AND SECURITY PLAN  
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
 (Dollars in Thousands)

	December 31,	
	2008	2007
<b>ASSETS</b>		
<b>Investments, at fair value:</b>		
Investment in Master Trust	\$ 1,017,551	\$ 1,323,531
Participant loans	31,160	32,311
Net assets reflecting investments at fair value	1,048,711	1,355,842
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	9,261	1,292
<b>Net Assets Available for Benefits</b>	<b>\$ 1,057,972</b>	<b>\$ 1,357,134</b>

See Notes to Financial Statements.

AT&T LONG TERM SAVINGS AND SECURITY PLAN  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 (Dollars in Thousands)

Net Assets Available for Benefits, December 31, 2007	\$ 1,357,134
Additions to Net Assets:	
Contributions:	
Participant contributions	32,029
Employer contributions	13,173
Other	22
	45,224
Investment Income (Loss):	
Net loss from investment in Master Trust	(221,247)
Interest on participant loans	2,167
	(219,080)
Total Additions, net of investment loss	(173,856)
Deductions from Net Assets:	
Distributions	124,493
Administrative expenses	173
Total Deductions	124,666
Net decrease before transfers	(298,522)
Interplan Transfers	(640)
Net Assets Available for Benefits, December 31, 2008	\$ 1,057,972

See Notes to Financial Statements.



AT&T LONG TERM SAVINGS AND SECURITY PLAN  
NOTES TO FINANCIAL STATEMENTS  
(Dollars in Thousands)

1. Plan Description – The AT&T Long Term Savings and Security Plan (Plan) is a defined contribution plan established by AT&T Corp. (ATTC) to provide a convenient way for eligible non-management employees of participating ATTC companies to save on a regular and long-term basis. 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. Interplan transfers represent participant transfers between company-sponsored employee benefits plans due to changes in the participant's employment status.

The Plan participates in the AT&T Savings Master Trust (Master Trust) for the investment of the pooled assets of various funds. 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 other AT&T sponsored employee benefit plans. The Master Trust began participating in the Group Trust on October 1, 2007. The trustee of the Master Trust and the Group Trust is the Bank of New York Mellon (BNY Mellon). (See Note 6)

During 2008, participants could invest their contributions in one or more funds in 1% increments:

- AT&T Total Return Bond Fund\*
- AT&T U.S. Stock Fund\*
- AT&T International Stock Fund\*
- AT&T Stable Value Fund\*
- Vanguard Windsor II Admin\*\*
- Vanguard US Growth Admin\*\*
- T Rowe Price Small Cap Stock\*\*
- US Bond Market Index\*\*
- S&P 500 Index Fund\*\*
- Fidelity Magellan\*\*
- Fidelity Equity Income\*\*
- Fidelity Low Price Stock\*\*
- Fidelity Diversified International\*\*
- T Rowe Price Mid Cap Growth\*\*
- Capital World Growth and Income\*\*
- Morgan Stanley International Equity\*\*
- Legg Mason Value Trust Inst\*\*
- Asset All Strategy Growth\*\*
- Asset All Strategy Balanced\*\*
- Asset All Strategy Income\*\*
- Total US Stock Market Index\*\*
- Extended US Stock Market\*\*
- International Stock Market Index\*\*
- Fidelity Dividend Growth\*\*
- Fidelity High Income\*\*
- AT&T Shares Fund\*\*

\* Fund option is an investment fund option of the Group Trust through the Master Trust as of December 31, 2008 and 2007.

\*\* Fund option is an investment fund option of the Master Trust as of December 31, 2008 and 2007.

Participants contribute to the Plan on a pre-tax basis through payroll allotments. The Company contributes to the Plan by matching the participants' contributions based on the provisions of the Plan. All contributions are

participant-directed.

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 that the Plan is terminated, subject to the conditions set forth by ERISA, account balances of all participants shall be 100% vested.

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AT&T LONG TERM SAVINGS AND SECURITY PLAN  
NOTES TO FINANCIAL STATEMENTS - (continued)  
(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. Actual results could differ from those estimates. Benefits are recorded when paid.

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements. 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. The guaranteed investment contracts (GICs) and the Synthetic GIC's hold asset backed securities.

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 are valued at cost, which approximates fair value.

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). 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.

3. Tax Status – The Plan has received a determination letter from the Internal Revenue Service dated March 28, 2005, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its

qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt. In addition, the Plan was filed with the Internal Revenue Service for a new favorable determination letter on February 2, 2009 pursuant to, and as a part of, the IRS determination letter filing program (Cycle C).

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 BNY 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.

AT&T LONG TERM SAVINGS AND SECURITY PLAN  
NOTES TO FINANCIAL STATEMENTS - (continued)  
(Dollars in Thousands)

5. Fair Value Measurements – In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FASB Statement No. 157). FASB Statement No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FASB Statement No. 157 are effective for fiscal years beginning after November 15, 2007. The Plan adopted this standard as of January 1, 2008 and the impact of the adoption was not significant

The FASB Statement No. 157 framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS Statement No. 157 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- 2 · Quoted prices for similar assets and liabilities in active markets;  
· Quoted prices for identical or similar assets or liabilities in inactive markets;  
· Inputs other than quoted market prices that are observable for the asset or liability;  
· Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described in Note 2 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2008 and 2007.

The only investment held by the Plan (outside of the Master Trust) is participant loans, and is classified as a Level 3 investment in the fair value hierarchy at December 31, 2008. There are no realized or unrealized gains or losses on participant loans. The change from the December 31, 2007 balance of \$32,311 consists solely of net issuances and

settlements. See Note 6 for fair value hierarchy for the Master Trust's investments.

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AT&T LONG TERM SAVINGS AND SECURITY PLAN  
 NOTES TO FINANCIAL STATEMENTS - (continued)  
 (Dollars in Thousands)

6. Investments – During 2008 the Plan held an investment in the Master Trust, and the Master Trust held an investment in the Group Trust.

AT&T Savings Master Trust Investments

The Master Trust was established to manage assets of pooled investment options among various AT&T sponsored plans. Each participating plan’s interest in the investment fund options (i.e., separate accounts) of the Master Trust is based on account balances of the participants and their elected investment fund options. The Master Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating among all plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Master Trust.

Investment income and administrative expenses related to the Master Trust are allocated to the individual plans on a daily basis based on each participant’s account balance within each investment fund option.

The participating entities and ownership percentages of the Master Trust are listed below:

December 31, 2008

AT&T Long Term Savings and Security Plan	99.93%
AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan	0.07%
	100.0%

December 31, 2007

AT&T Long Term Savings and Security Plan	14.96%
AT&T Long Term Savings Plan for Management Employees	84.05%
AT&T Retirement Savings and Profit Sharing Plan	0.92%
AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan	0.01%
AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees	0.06%
	100.0%

AT&T LONG TERM SAVINGS AND SECURITY PLAN  
 NOTES TO FINANCIAL STATEMENTS - (continued)  
 (Dollars in Thousands)

The Plan's percentage interest in each of the investment fund options within the Master Trust is disclosed below.

	2008	2007
AT&T Shares Fund	99.956%	27.749%
Vanguard Windsor II Admin	99.976%	14.660%
Vanguard US Growth Admin	99.987%	11.416%
T Rowe Price Small Cap Stock	99.990%	12.913%
T Rowe Price Mid Cap Growth	99.995%	13.250%
Capital World Growth and Income	99.961%	11.942%
Morgan Stanley International Equity	99.804%	9.962%
Legg Mason Value Trust Inst	99.958%	10.541%
Asset All Strategy: Growth	99.963%	6.426%
Asset All Strategy: Balanced	99.996%	7.484%
Asset All Strategy: Income	100.000%	8.781%
US Bond Market Index S&P 500 Index Fund	99.914%	11.579%
99.850%	8.256%	
Total US Stock Market Index	100.000%	10.550%
Extended US Stock Market International Stock Market Index	100.000%	8.073%
99.948%	8.318%	



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Fidelity	
Magellan	99.760% 11.733%
Fidelity Equity	
Income	99.993% 10.592%
Fidelity Low	
Price Stock	99.888% 13.367%
Fidelity	
Diversified	
International	99.928% 10.157%
Fidelity	
Dividend	
Growth	99.939% 13.023%
Fidelity High	
Income	100.000% 11.330%

AT&T LONG TERM SAVINGS AND SECURITY PLAN  
NOTES TO FINANCIAL STATEMENTS - (continued)  
(Dollars in Thousands)

The financial position of the Master Trust at December 31 was as follows:

	2008	2007
Interest bearing cash	\$ 2,828	\$ 10,854
Common stocks	74,657	1,249,715
Registered investment companies	195,205	3,305,791
Common/collective trust funds	65,606	322,601
Investment in AT&T Group Investment Trust (at fair value)	679,998	3,957,831
Master trust investments at fair value	1,018,294	8,846,792
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	9,269	5,823
	\$ 1,027,563	\$ 8,852,615

Net Depreciation in Fair Value of Master Trust Investments and Total Investment Income for the year ended December 31, 2008

	2008
Common stocks	(199,840)
Registered investment companies	(229,747)
Common/collective trust funds	(17,589)
Investments in Group Trust	(101,706)
Total net depreciation in fair value of Master Trust Investments	\$ (548,882)
<b>Investment income:</b>	
Interest	\$ 59,200
Dividends	36,996
Miscellaneous	265
Interest income accrual	15
Total investment income	\$ 96,476

The following table sets forth by level, within the fair value hierarchy, the Master Trust's assets at fair value as of December 31, 2008, excluding the investment in the Group Trust which is disclosed below.

	Master Trust Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 2,828	\$ -	\$ -	\$ 2,828
Common stocks	74,657	-	-	74,657
Registered investment companies	195,205	-	-	195,205

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Common/collective trust funds	-	65,606	-	65,606
Total assets at fair value	\$ 272,690	\$ 65,606	\$ -	\$ 338,296

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AT&T LONG TERM SAVINGS AND SECURITY PLAN  
NOTES TO FINANCIAL STATEMENTS - (continued)  
(Dollars in Thousands)

AT&T Group Investment Trust Investments

In October 2007, AT&T established the Group Trust to manage assets of pooled investment options between the Master Trust and the AT&T Savings Plan. During 2008, the trust funding the AT&T Savings Plan became a master trust when other AT&T sponsored employee benefit plans transferred its assets into that trust. Effective March 1, 2008, the AT&T Savings Plan Master Trust was created and became a participating entity in the Group Trust. Each participating plan's interest in the investment fund options (i.e., separate accounts) of the Group Trust is based on account balances of the participants and their elected investment fund options. The Group Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating among all plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Group Trust.

Investment income and administrative expenses related to the Group Trust are allocated to the individual plans on a daily basis based on each participant's account balance within each investment fund option.

The participating entities and ownership percentages of the Group Trust are listed below:

December 31, 2008

AT&T Savings Master Trust	7.4
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