

AT&T INC.
Form 11-K
June 17, 2011

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, 2010

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:

BELLSOUTH 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 Plan Administrator of the
BellSouth Savings and Security Plan

We have audited the accompanying statements of net assets available for benefits of the BellSouth Savings and Security Plan as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. 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. We were not engaged to perform an audit of the Plan's 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 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 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 the Plan at December 31, 2010 and 2009, and the changes in its net assets available for benefits for the year ended December 31, 2010, in conformity with US generally accepted accounting principles.

Our audits were 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, 2010, 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 audits 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.

Dallas, Texas
June 17, 2011

/s/ Ernst & Young LLP

BELLSOUTH SAVINGS AND SECURITY PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
(Dollars in Thousands)

	December 31,	
	2010	2009
ASSETS		
Investment in AT&T Savings Group Investment Trust	\$ 804,574	\$ 796,295
Investments, at fair value	1,488,384	1,358,010
Market value of securities on loan	-	14,654
Securities lending collateral	-	14,970
Total Investments, at fair value (See Note 4)	2,292,958	2,183,929
Notes receivable from participants	52,029	47,150
Participant contributions receivable	786	-
Employer contributions receivable	247	-
Interest receivable	882	722
Other receivable	-	2,240
Total Receivables	53,944	50,112
Total Assets	2,346,902	2,234,041
LIABILITIES		
Administrative expenses payable	1,112	676
Due to broker for securities purchased	12,558	-
Securities lending collateral obligations	-	14,970
Total Liabilities	13,670	15,646
Net assets reflecting investments at fair value	2,333,232	2,218,395
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(35,869)	(15,353)
Net Assets Available for Benefits	\$ 2,297,363	\$ 2,203,042

See Notes to Financial Statements.

BELLSOUTH SAVINGS AND SECURITY PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Dollars in Thousands)

Net Assets Available for Benefits, December 31, 2009	\$2,203,042
Additions to Net Assets:	
Contributions:	
Participant contributions	77,788
Employer contributions	28,808
Rollover contributions	25,154
	131,750
Investment Income:	
Net income from investment in AT&T Savings Group Investment Trust	26,545
Interest	3,861
Dividends	51,640
Net appreciation in fair value of investments	143,196
	225,242
Interest income on notes receivable from participants	2,573
Total Additions	359,565
Deductions from Net Assets:	
Distributions	263,575
Administrative expenses	1,669
Total Deductions	265,244
Net increase	94,321
Net Assets Available for Benefits, December 31, 2010	\$2,297,363

See Notes to Financial Statements.

BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

1. Plan Description – The BellSouth Savings and Security Plan (Plan) is a defined contribution plan originally established by BellSouth Corporation (BellSouth) to provide a convenient way for eligible nonmanagement employees of participating BellSouth companies to save on a regular and long-term basis. In December 2006, BellSouth was acquired by AT&T Inc. (AT&T or the Company). 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 text and prospectus 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).

The Plan participates in the AT&T Savings Group Investment Trust (Group Trust) with respect to the AT&T Stable Value Fund option only. The Bank of New York Mellon Corporation (BNY Mellon) serves as trustee for both the Group Trust and the trust holding the Plan's assets. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) serves as recordkeeper for the Plan. During 2010, participants could invest their contributions in one or more of 12 funds in 1% increments:

- AT&T Shares Fund
- Bond Fund
- Vanguard Growth Index Fund
- Fidelity Growth & Income Portfolio
- Balanced Fund
- BGI Age-Based Asset Allocation Funds (based on retirement date)
- DFA U.S. Small Cap Value II Fund
- DFA International Value II Fund
- DFA U.S. Large Cap Value II Fund
- T. Rowe Price Mid-Cap Growth
- AT&T Stable Value Fund*
- Indexed Stock Fund

* Investment fund option of the Group Trust

Participants contribute to the Plan through payroll allotments. Participants may also contribute amounts representing distributions from other qualified defined benefit and defined contribution plans (rollovers). The Company contributes to the Plan by matching the participants' contributions based on the provisions of the Plan. All contributions are participant directed.

Dividends on shares in the AT&T Shares Fund can either be reinvested in the AT&T Shares Fund on a quarterly basis, or paid into a separate fund known as a Dividend Fund Account (DFA) for distribution at the end of the year. Interest earned on dividends held in the DFA purchases additional units of the AT&T Shares Fund in the participant's account. During 2010, Plan participants elected to receive \$1,740 in dividend distributions. This amount is included in distributions on the Plan's statement of changes in net assets available for benefits.

Each participant is entitled to exercise voting rights attributable to the AT&T shares allocated to their account and is notified by the Company prior to the time that such rights may be exercised. Subject to the fiduciary provisions of ERISA, the trustee will not vote any allocated shares for which instructions have not been given by a participant. The trustee votes any unallocated shares in the same proportion as it votes those shares that were allocated to the extent the proportionate vote is consistent with the trustee's fiduciary obligations under ERISA. Participants have the same voting rights in the event of a tender or exchange offer.

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

Administrative Expenses Each participant in the Plan may be charged for investment manager fees and administrative expenses, including, trustee and other expenses considered reasonable by the Plan administrator. Investment manager fees are charged through the applicable investment option. Administrative fees are divided on a pro rata basis among investment options of the participant. An additional fee is charged to individual participants for various services provided by the Plan's recordkeeper and other service providers. Certain expenses are paid by the Plan, Group Trust, or Company.

BELLSOUTH 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 (GAAP), 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. Distributions are recorded when paid.

Investment Valuation and Income Recognition 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 3 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 (OTC) 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. Depending on the types and contractual terms of OTC derivatives, fair value is measured using valuation techniques such as Black-Scholes option price models, simulation models, or a combination of various models.

Common/collective trust funds and 103-12 investment entities (i.e., an investment entity that holds the assets of two or more plans which are not members of a related group or employee benefit plan) are valued at redemption values that represent the net asset values of units held at year-end. Publicly traded partnerships are valued using trades on a national securities exchange based on the last reported sales price on the last business day of the year.

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). GICs are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. The underlying investments of the Synthetic GICs are owned by the Group Trust and are comprised of common/collective trust funds, corporate bonds and notes, registered investment companies and government securities and are also valued as described above. The fair value of the wrapper contracts for the Synthetic GICs is determined using a 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 reflected as of the trade date. Dividend income is recognized on the ex-dividend date. Interest earned on investments is recognized on the accrual basis.

Notes Receivable from Participants Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2010 or 2009. If a participant

ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a distribution is recorded.

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BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
(Dollars in Thousands)

Recent Accounting Standards

Improving Disclosures about Fair Value Measurements In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2010-06, Improving Disclosures about Fair Value Measurements, (ASU 2010-06). ASU 2010-06 amended Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, (ASC 820) to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each “class” of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 is effective for reporting periods beginning after December 15, 2009. Since ASU 2010-06 only affects fair value measurement disclosures, adoption of ASU 2010-06 did not affect on the Plan’s net assets available for benefits or its changes in net assets available for benefits.

Reporting Loans to Participants by Defined Contribution Pension Plans In September 2010, the FASB issued Accounting Standards Update 2010-25, Reporting Loans to Participants by Defined Contribution Pension Plans, (ASU 2010-25). ASU 2010-25 requires participant loans to be measured at their unpaid principal balance plus any accrued but unpaid interest and classified as notes receivable from participants. Previously, loans were measured at fair value and classified as investments. ASU 2010-25 is effective for fiscal years ending after December 15, 2010, and is required to be applied retrospectively. Adoption of ASU 2010-25 did not change the value of participant loans from the amount previously reported as of December 31, 2009. Participant loans have been reclassified from investments to notes receivable from participants as of December 31, 2009.

Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs In May 2011, the FASB issued Accounting Standards Update 2011-04, Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs, (ASU 2011-04). ASU 2011-04 amended ASC 820, to converge the fair value measurement guidance in GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan’s financial statements.

BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
(Dollars in Thousands)

3. Fair Value Measurements –ASC 820 establishes a framework for measuring fair value. That 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 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 within 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 Plan management 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, 2010 and 2009.

See Note 4 for fair value hierarchy for the Group Trust's and Plan's investments.

BELLSOUTH SAVINGS AND SECURITY PLAN
 NOTES TO FINANCIAL STATEMENTS (continued)
 (Dollars in Thousands)

4. Investments –The Plan held investments in its own trust and in the Group Trust (through participation in the AT&T Stable Value Fund option only) as of December 31, 2010 and 2009, and for the year ended December 31, 2010.

Plan Investments

Investments representing 5% or more of Plan net assets at December 31 were:

	2010	2009
AT&T Shares Fund (AT&T common shares)	\$ 523,390	\$ 545,791
T. Rowe Price Mid-Cap Growth Fund	197,929	157,225
DFA U.S. Small Cap Value II Fund	142,612	*
DFA International Value II Fund	*	118,025

* Investment is less than 5%.

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows for the year ended December 31, 2010:

Common stock	\$22,112
Registered investment companies	97,228
Common/collective trust funds	21,283
Fixed income securities	2,573
Total	\$143,196

BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
(Dollars in Thousands)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2010:

	Plan Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 5,210	\$ -	\$ -	\$ 5,210
Short term investments	7,261	-	-	7,261
Blended equity & debt 1	-	45,369	-	45,369
US equity securities				
AT&T common stock	523,390	-	-	523,390
Index stock fund 2	-	104,242	-	104,242
Futures	122	-	-	122
Mutual funds – large cap	259,314	-	-	259,314
Mutual funds – mid cap	269,957	-	-	269,957
Mutual funds – small cap	142,612	-	-	142,612
Fixed income securities:				
Bond Index Fund 3	-	13,258	-	13,258
Short term investments	1,708	30	-	1,738
Futures	-	76	-	76
Corporate debt instruments				
Asset backed securities	-	2,321	-	2,321
Commercial mortgage backed securities	-	1,667	-	1,667
Collateralized mortgage obligations	-	8,238	-	8,238
Other corporate debt instruments	-	24,201	-	24,201
U.S. government securities				
Asset backed securities	-	10,546	-	10,546
Other U.S. government securities	-	54,517	-	54,517
Other investments	-	14,345	-	14,345
Total assets at fair value	\$ 1,209,574	\$ 278,810	\$ -	\$ 1,488,384

BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
(Dollars in Thousands)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009:

	Plan Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 3,775	\$ -	\$ -	\$ 3,775
Short term investments	3,734	-	-	3,734
Blended equity & debt 1	-	35,446	-	35,446
US equity securities				
AT&T common stock	545,791	-	-	545,791
Index stock fund 2	-	100,490	-	100,490
Mutual funds – large cap	245,794	-	-	245,794
Mutual funds – mid cap	220,258	-	-	220,258
Mutual funds – small cap	109,647	-	-	109,647
Fixed income securities				
Bond Index Fund 3	-	12,955	-	12,955
Short term investments	12,283	6,134	-	18,417
Fixed income securities				
Corporate debt instruments				
Asset backed securities	-	3,838	-	3,838
Commercial mortgage backed securities	-	1,028	-	1,028
Collateralized mortgage obligations	-	1,018	-	1,018
Other corporate debt instruments	-	24,378	-	24,378
U.S. government securities				
Asset backed securities	-	10,184	-	10,184
Other U.S. government securities	-	33,716	-	33,716
Other investments	-	2,176	-	2,176
Fixed income securities - loaned	-	(14,654)	-	(14,654)
Convertible securities	-	19	-	19
Market value of securities on loan	-	14,654	-	14,654
Collateral received for securities loaned (held in common/collective trust funds) 4	-	14,970	-	14,970
Total assets at fair value	\$ 1,141,282	\$ 246,352	\$ -	\$ 1,387,634

BELLSOUTH SAVINGS AND SECURITY PLAN
 NOTES TO FINANCIAL STATEMENTS (continued)
 (Dollars in Thousands)

1 This category includes common/collective trust funds also known as LifePath Portfolios which are well diversified portfolios that adjust the mix of the various underlying investments over time. The change in allocation of investments is designed to move from a more aggressive investment strategy to a more conservative strategy as the participants come closer to retirement. The year associated with the fund identification denotes the projected year of retirement of the participant selecting the fund. There are currently no redemption restrictions on these investments. The fair value of the investments in this category have been estimated using the net asset value per share.

2 This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Standard and Poor's Composite Stock Price Index of 500 stocks (the "S&P 500®"). There are currently no redemption restrictions on this investment. The fair value of the investment in this category has been estimated using the net asset value per share.

3 This category includes a common/collective trust fund with an objective to approximate the overall performance of the Barclays Capital Aggregate Bond Index. There are currently no redemption restrictions on these investments. The fair value of the investments in this category have been estimated using the net asset value per share.

4 There were two collateral pools in which the Plan invested: 1) The Pooled Employee ASL Short Term Fund and 2) The Term Assets Liquidating Trust. The Pooled Employee ASL Short Term Fund consisted of liquid securities that could be redeemed on a one-day notice for return to borrowers immediately upon recall of loaned securities. There was \$917 invested in this fund as of December 31, 2009. The Term Assets Liquidating Trust consisted of non-liquid securities that were currently performing but were intended to be held until maturity. Redemptions from this Trust were prohibited; however, the Plan could exit this Trust, receive a proportionate share of the securities, and then sell the assets. There was \$14,053 invested in this fund as of December 31, 2009.

AT&T Savings Group Investment Trust Investments

AT&T established the Group Trust to manage assets of pooled investment options among various AT&T sponsored employee benefit trusts. Each participating trust'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 trust those transactions (primarily contributions, distributions, and expenses) that can be specifically identified and by allocating investment income and administrative expenses 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,			
	2010		2009	
AT&T Savings Plan Master Trust	86.6	%	85.9	%
AT&T Savings Master Trust	6.3	%	6.6	%
BellSouth Savings and Security Plan	7.1	%	7.5	%
Total	100.0	%	100.0	%

BELLSOUTH 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 Group Trust is disclosed below as of December 31, 2010.

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T Inter-national Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	\$ -	\$ -	\$ 3,669	\$ -	\$ 3,669
Common/collective trust funds	-	815,433	218,702	-	1,034,135
103-12 investment entities	-	-	47,732	-	47,732
Equities	-	1,378,536	275,580	-	1,654,116
Equities – loaned	-	(69)	-	-	(69)
Publicly traded partnerships	-	3,676	-	-	3,676
Registered investment companies	1,326,799	36,762	2,120	545	1,366,226
Investment contracts (at fair value):					
Guaranteed investment contracts	-	-	-	27,223	27,223
Synthetic GICs:					
Interest bearing cash	-	-	-	36,594	36,594
Corporate preferred stock	-	-	-	3,311	3,311
Corporate and other bonds and notes	-	-	-	3,264,699	3,264,699
Registered investment companies	-	-	-	614,215	614,215
Futures	-	-	-	81	81
Government securities	-	-	-	3,468,987	3,468,987
Wrapper contracts	-	-	-	15,609	15,609
Market value of securities on loan	-	69	-	-	69
Collateral received for securities	-	71	-	-	71

loaned									
Group Trust									
investments at fair									
value	1,326,799	2,234,478	547,803	7,431,264	11,540,344				
Unsettled trades									
and other	5,425	(609)	1,381	(446,763)	(440,566)				
Adjustment from									
fair value to									
contract value for									
fully									
benefit-responsive									
investment									
contracts	-	-	-	(311,368)	(311,368)				
Obligation to									
return collateral on									
loaned securities	-	(71)	-	-	(71)				
Group Trust net									
assets	\$ 1,332,224	\$ 2,233,798	\$ 549,184	\$ 6,673,133	\$ 10,788,339				
Plan's percentage									
ownership interest									
of investments	- %	- %	- %	11.5 %	7.1 %				

BELLSOUTH 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 Group Trust is disclosed below as of December 31, 2009.

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T Inter-national Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	\$-	\$59	\$ 3,631	\$461	\$4,151
Common/collective trust funds	-	555,780	256,331	-	812,111
Corporate and other bonds and notes	-	-	1,131	-	1,131
Equities	-	1,509,879	263,219	-	1,773,098
Equities – loaned	-	(86,639)	(5,511)	-	(92,150)
Publicly traded partnerships	-	3,245	-	-	3,245
Registered investment companies	1,115,939	40,042	2,976	9,842	1,168,799
Registered investment companies – loaned	(8,735)	-	-	-	(8,735)
Investment contracts (at fair value):					
Guaranteed investment contracts	-	-	-	28,986	28,986
Synthetic GICs:					
Interest bearing cash	-	-	-	19,469	19,469
Corporate preferred stock	-	-	-	3,213	3,213
Corporate and other bonds and notes	-	-	-	2,868,793	2,868,793
Corporate and other bonds and notes – loaned	-	-	-	(71,918)	(71,918)
Registered investment companies	-	-	-	262,154	262,154
Futures	-	-	-	2,253	2,253
Other investments	-	-	-	64,171	64,171

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Government securities	-	-	-	3,682,357	3,682,357
Government securities – loaned	-	-	-	(613,841)	(613,841)
Wrapper contracts	-	-	-	9,724	9,724
Market value of securities on loan	8,735	86,639	5,511	685,759	786,644
Collateral received for securities loaned (held in common/collective trust funds)	8,765	88,311	5,660	688,669	791,405
Group Trust investments at fair value	1,124,704	2,197,316	532,948	7,640,092	11,495,060
Unsettled trades and other	3,853	(1,719)	653	(87,909)	(85,122)
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	-	-	-	(132,112)	(132,112)
Obligation to return collateral on loaned securities	(8,914)	(89,817)	(5,757)	(700,413)	(804,901)
Group Trust net assets	\$1,119,643	\$2,105,780	\$ 527,844	\$6,719,658	\$10,472,925
Plan's percentage ownership interest of investments	-	% -	% -	% 11.6	% 7.5

BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
(Dollars in Thousands)

Net Appreciation (Depreciation) in Fair Value of AT&T Savings Group Investment Trust Investments and Total
Investment Income for the year ended December 31, 2010

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T Inter-national Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	\$ -	\$ -	\$ 64	\$ -	\$ 64
Common/collective trust funds	-	134,382	3,365	-	137,747
103-12 investment entities	-	-	7,732	-	7,732
Equities	-	157,663	29,914	-	187,577
Publicly traded partnerships	-	(69)	-	-	(69)
Registered investment companies	34,716	26	5	-	34,747
Total net appreciation in fair value of Group Trust Investments	\$ 34,716	\$ 292,002	\$ 41,080	\$ -	\$ 367,798

Investment income:

Interest	\$ -	\$ 46	\$ 2,223	\$ 230,556	\$ 232,825
Dividends	79,410	17,423	6,797	-	103,630
Securities lending	-	176	32	728	936
Total investment income of Group Trust Investments	\$ 79,410	\$ 17,645	\$ 9,052	\$ 231,284	\$ 337,391

BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
(Dollars in Thousands)

The following table sets forth by level, within the fair value hierarchy, the Group Trust's assets at fair value as of December 31, 2010.

	Group Trust Assets and Liabilities at Fair Value December 31, 2010				Total
	Level 1	Level 2	Level 3		
Interest bearing cash	\$3,669	\$-	\$-	\$3,669	
U.S. equity securities:					
U.S. common stock					
Large cap	910,941	-	-	910,941	
Small cap	467,595	-	-	467,595	
Common stock-registered investment companies	36,762	-	-	36,762	
U.S. common stock – loaned	(69)	-	-	(69)	
Common/collective trusts 1	-	815,433	-	815,433	
Publicly traded partnerships	3,676	-	-	3,676	
International equity securities:					
Common stock	271,343	-	-	271,343	
Common stock – registered investment companies	2,120	-	-	2,120	
Common/collective trusts 2	-	218,702	-	218,702	
Preferred stock	4,237	-	-	4,237	
103-12 investment entities 3	-	47,732	-	47,732	
Fixed income securities:					
Blackrock mutual fund	111,357	-	-	111,357	
WAMCO mutual fund	378,428	-	-	378,428	
PIMCO mutual fund	837,014	-	-	837,014	
Stable Value Fund:					
Common stock – registered investment companies	545	-	-	545	
Guaranteed investment contracts	-	27,223	-	27,223	
Synthetic GICs:					
Interest bearing cash	-	36,594	-	36,594	
Corporate preferred stock	3,311	-	-	3,311	
Corporate and other bonds and notes:					
U.S. corporate bonds and notes	-	1,417,533	-	1,417,533	
International corporate bonds and notes	-	612,459	-	612,459	
Asset-backed securities	-	619,982	-	619,982	
Collateralized mortgage obligations	-	80,829	-	80,829	
Commercial mortgage-backed securities	-	533,896	-	533,896	
Short term investment funds - Registered investment companies	614,215	-	-	614,215	
Futures	81	-	-	81	
Government securities:					

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U.S. government ⁴	53,911	3,325,640	-	3,379,551
Municipals	59,528	-	-	59,528
Other	1,035	-	-	1,035
Non U.S. government	28,873	-	-	28,873
Wrapper contracts	-	15,609	-	15,609
Market value of securities on loan:				
U.S. stock fund	69	-	-	69
Collateral received for securities loaned	71	-	-	71
Total assets and liabilities at fair value	\$3,788,712	\$7,751,632	\$-	\$11,540,344

BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
(Dollars in Thousands)

1The objective of these common/collective trust funds held in the AT&T U.S. Stock Fund is to deliver cost-effective, high-quality, active exposure to the large-capitalization U.S. equity market with close tracking of the Russell 3000 Index and to provide for liquidity. These common/collective trust funds have redemption restrictions limited to daily and monthly settlement. All of the common/collective trust funds are invested in either Large-cap or Mid-cap equities, with the majority being Large cap. The fair value of the investment in this category has been estimated using the net asset value per share.

2The objective of these common/collective trust funds held in the AT&T International Stock Fund is to provide a diversified fund that seeks to provide returns in excess of the international markets as represented by the All Country World Index U.S. index. The common/collective trust funds have redemption restrictions limited to daily, weekly or monthly and participants may be subject to short-term trading fees related to certain transactions. All but one of these funds are invested in developed countries (i.e., developed: Europe, Japan, UK, Australia, etc.). The fair value of the investment in this category has been estimated using the net asset value per share.

3This is an equity commingled fund that invests primarily in publically traded non-U.S. securities. The fair value of the investments in this category has been estimated using the net asset value per share reported by the fund manager. The fund is selected by AT&T, and AT&T determines the timing and amount of contributions/redemptions, redemptions occur at net asset value. This is an open ended fund with no fund maturity date.

4Average duration of U.S. government securities is approximately 14 years.

BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
(Dollars in Thousands)

The following table sets forth by level, within the fair value hierarchy, the Group Trust's assets at fair value as of December 31, 2009.

Group Trust Assets and Liabilities at Fair Value
December 31, 2009

	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$3,690	\$-	\$-	\$3,690
U.S. equity securities:				
U.S. common stock	1,549,921	-	-	1,549,921
U.S. common stock – loaned	(86,639)	-	-	(86,639)
Common/collective trusts 1	-	559,025	-	559,025
International equity securities:				
Common stock	266,195	-	-	266,195
Common stock -loaned	(5,511)	-	-	(5,511)
Common/collective trusts 2	-	257,462	-	257,462
Fixed income securities:				
Blackrock mutual fund	102,951	-	-	102,951
WAMCO core mutual fund	291,592	-	-	291,592
PIMCO total return mutual fund	721,396	-	-	721,396
Total return bond fund -loaned	(8,735)	-	-	(8,735)
Stable Value Fund:				
Interest bearing cash	461	-	-	461
U.S. common stock	9,842	-	-	9,842
Guaranteed investment contracts	-	28,986	-	28,986
Synthetic GICs:				
Interest bearing cash	19,469	-	-	19,469
Corporate preferred stock	3,213	-	-	3,213
Corporate and other bonds and notes:				
Asset backed securities	-	606,757	-	606,757
Collateralized mortgage obligations	-	592,549	-	592,549
Commercial mortgage backed securities	-	136,582	-	136,582
Other	-	1,532,905	-	1,532,905
Corporate and other bonds and notes - loaned	-	(71,918)	-	(71,918)
Registered investment companies	262,154	-	-	262,154
Futures	2,253	-	-	2,253
Other investments	64,171	-	-	64,171
Government securities	-	3,682,357	-	3,682,357
Government securities - loaned	-	(613,841)	-	(613,841)
Wrapper contracts	-	9,724	-	9,724
Market value of securities on loan:				
U.S. stock fund	86,639	-	-	86,639
International stock fund	5,511	-	-	5,511
Total return bond fund	8,735	-	-	8,735
Synthetic GICs:				

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Corporate and other bonds and notes	-	71,918	-	71,918
Government securities	-	613,841	-	613,841
Collateral received for securities loaned 3	-	791,405	-	791,405
Total assets and liabilities at fair value	\$3,297,308	\$8,197,752	\$-	\$11,495,060

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BELLSOUTH SAVINGS AND SECURITY PLAN
 NOTES TO FINANCIAL STATEMENTS (continued)
 (Dollars in Thousands)

1The objective of these common/collective trust fund held in the AT&T U.S. Stock Fund is to deliver cost-effective high-quality, active exposure to the large-capitalization U.S. equity market with close tracking of the Dow Jones Wilshire 5000 Index and to provide for liquidity. These common/collective trust funds have redemption restrictions limited to daily and monthly settlement. All of the common/collective trust funds are invested in either Large-cap or Mid-cap equities, with the majority being Large cap. The fair value of the investment in this category has been estimated using the net asset value per share.

2The objective of these common/collective trust funds held in the AT&T International Stock Fund is to provide a diversified fund that seeks to provide returns in excess of the international markets as represented by the All Country World Index ex U.S. index. The common/collective trust funds have redemption restrictions limited to weekly, semi-monthly or monthly and participants may be subject to short-term trading fees related to certain transactions. All but one of these funds are invested in developed countries (i.e., developed: Europe, Japan, UK, Australia, etc.). The fair value of the investment in this category has been estimated using the net asset value per share.

3There were three collateral pools in which the Group Trust invested: 1) The Pooled Employee ASL Short Term Fund, 2) The Term Assets Liquidating Trust and 3) The ASL Short Term Fund - SIGMA (Liquidating Fund). The Pooled Employee ASL Short Term Fund consisted of liquid securities that could be redeemed on a one-day notice for return to borrowers immediately upon recall of loaned securities. There was \$520,143 invested in this fund as of December 31, 2009. The Term Assets Liquidating Trust consisted of non-liquid securities that were performing but were intended to be held until maturity. Redemptions from this Trust were prohibited; however, the Plan could exit this Trust, receive a proportionate share of the securities, and then sell the assets. It was expected that over 93% of this pool would mature within 360 days. There was \$267,282 invested in this fund as of December 31, 2009. The ASL Short Term Fund - SIGMA (Liquidating Fund) consisted of assets in default that were valued at \$526. Lending income was reserved to offset the deficiency in this the Liquidating Fund. Redemptions from the Liquidating Fund are currently prohibited; however, the Plan could exit the Liquidating Fund, receive a proportionate share of the securities, and then sell the assets. There was \$3,454 invested in noncash investments, such as U.S. government debt.

Derivative Financial Instruments

In the normal course of operations, Group Trust assets and liabilities held in the AT&T Stable Value Fund (Stable Value Fund) may include derivative financial instruments (futures and foreign currency forward contracts). These instruments involve, in varying degrees, elements of credit and market volatility risks in excess of more traditional investment holdings such as equity and debt instruments. The contract or notional amounts disclosed provide a measure of the Group Trust's involvement in such instruments but are not indicative of potential loss. The intent is to use derivative financial instruments as an economic hedge to manage market volatility risk and foreign currency exchange rate risk associated with the Stable Value Fund's investment assets. The Group Trust's fiduciaries do not anticipate any material adverse effect on the Group Trust's financial position resulting from its involvement in these instruments.

The following table presents the effect of gains with respect to these derivative instruments, by type of derivative. The gains are located on the statements of changes in net assets available for benefits as net income from investment in AT&T Savings Group Investment Trust to the extent of the Plan's ownership in the Group Trust.

Year
 Ended

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	December 31, 2010
Futures contracts	\$ 81
Forward foreign currency exchange rate contracts	\$ 2,257

The following table presents the effect of gains with respect to these derivative instruments, by type of derivative. The gains are located on the statements of changes in net assets available for benefits as net income from investment in the Plan.

	Year Ended December 31, 2010
Futures contracts	\$ 1,148

BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
(Dollars in Thousands)

Futures Contracts

The primary risk managed by the Group Trust using future contracts is the price risk associated with investments. On behalf of the Group Trust, investment managers enter into various futures contracts to economically hedge investments in domestic securities. These contracts, which are considered derivatives under Accounting Standards Codification Topic 815, Derivatives and Hedging, are agreements between two parties to buy or sell a security or financial interest at a set price on a future date and are standardized and exchange-traded. Upon entering into such a contract on behalf of the Group Trust, the investment manager is required to pledge to the broker an amount of cash or securities equal to the minimum "initial margin" requirements of the exchange on which the contract is traded. Pursuant to the contract, the investment manager agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as variation margin and are recorded on a daily basis by the trustee as a realized gain or loss equal to the difference in the value of the contract between daily closing prices. Upon entering into such contracts, the Group Trust bears the risk of interest or exchange rates or securities prices moving unexpectedly, in which case, the Group Trust may not achieve the anticipated benefits of the futures contracts and may realize a loss. With futures, there is minimal counterparty credit risk to the Group Trust since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default. The investments in the Group Trust are subject to interest rate risk. The U.S. interest rate futures held in the portfolio as of December 31, 2010 and 2009 were used primarily to hedge and manage the duration risk of the portfolio.

The fair value of the open futures contracts is separately disclosed in the detail of the Group Trust investments presented below and are included in the Statement of Net Assets Available for Benefits to the extent of the Plan's ownership in the Group Trust.

At December 31, 2010, open futures contracts held in the Group Trust were as follows:

Type of Contract	Number of Contracts Buy/(Sell)	Expiration	Notional Value	Fair Value
90-Day EuroDollar Future	(405)	3/2012	\$ (100,288)	\$ (147)
U.S. Treasury Bond Future	(184)	3/2011	(22,471)	630
U.S. 10-Year Treasury Notes Future	(151)	3/2011	(18,186)	(61)
U.S. 5-Year Treasury Notes Future	283	3/2011	33,314	(5)
U.S. 2-Year Treasury Notes Future	170	3/2011	37,214	(19)
U.S Ultra Bond Future	(12)	3/2011	(1,525)	42
U.S. Treasury Bond Future	(45)	3/2011	(5,496)	129
U.S. 10-Year Treasury Notes Future	195	3/2011	23,485	(770)
U.S. 2-Year Treasury Notes Future	402	3/2011	88,000	(57)
U.S. Ultra Bond Future	(160)	3/2011	(20,335)	339
Total			\$ 13,712	\$ 81

BELLSOUTH SAVINGS AND SECURITY PLAN
 NOTES TO FINANCIAL STATEMENTS (continued)
 (Dollars in Thousands)

At December 31, 2009, open futures contracts held in the Group Trust were as follows:

Type of Contract	Number of Contracts Buy/(Sell)	Expiration	Notional Value	Fair Value
90-Day EuroDollar Future	(39)	6/2010	\$ (9,684)	\$ (301)
U.S. Treasury Bond Future	(295)	3/2010	(34,036)	2,115
U.S. 10-Year Treasury Notes Future	(105)	3/2010	(12,123)	300
U.S. 5-Year Treasury Notes Future	57	3/2010	6,520	(101)
U.S. 2-Year Treasury Notes Future	(253)	3/2010	(54,715)	285
U.S. 10-Year Treasury Notes Future	(243)	3/2010	(28,055)	1,067
U.S. 5-Year Treasury Notes Future	197	3/2010	22,533	(363)
U.S. 2-Year Treasury Notes Future	639	3/2010	138,194	(749)
Total			\$ 28,634	\$ 2,253

The fair value of the open futures contracts is separately disclosed in the detail of the Plan's investments presented below and are included in the Statement of Net Assets Available for Benefits.

At December 31, 2010, open futures contracts held by the Plan were as follows:

Type of Contract	Number of Contracts Buy/(Sell)	Expiration	Notional Value	Fair Value
S&P e-mini 500 Index Futures U.S.	103	3/2011	\$ 6,453	\$ 122
U.S. Treasury Bond Future	(23)	3/2011	(2,770)	76