AT&T INC.
Form 11-K
June 25, 2010

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

FORM 11-K

x ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

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

We have audited the accompanying statements of net assets available for benefits of the AT&T Long Term Savings and Security Plan as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. 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, 2009 and 2008, and the changes in its net assets available for benefits for the year ended December 31, 2009, 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, 2009, 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.

/s/ Ernst & Young LLP

Dallas, Texas
June 25, 2010

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

| | December 31, 2009 | 2008 |
|---|---|---|
| ASSETS | | |
| Investments, at fair value: | | |
| Investment in AT&T Savings Master Trust | $1,120,281 | $1,017,551 |
| Participant loans | 30,540 | 31,160 |
| Net assets reflecting investments at fair value | 1,150,821 | 1,048,711 |
| Adjustment from fair value to contract value for fully benefit- responsive investment contracts | (11,746) | 9,261 |
| Net Assets Available for Benefits | $1,139,075 | $1,057,972 |

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, 2009
(Dollars in Thousands)

| | |
|---|---|
| Net Assets Available for Benefits, December 31, 2008 | $1,057,972 |
| | |
| Additions to Net Assets: | |
| Contributions: | |
| Participant contributions | 28,125 |
| Employer contributions | 11,975 |
| | 40,100 |
| | |
| Investment Income: | |
| Net income from investment in AT&T Savings Master Trust | 131,881 |
| Interest on participant loans | 1,641 |
| | 133,522 |
| Total Additions | 173,622 |
| | |
| Deductions from Net Assets: | |
| Distributions | 91,650 |
| Administrative expenses | 905 |
| Total Deductions | 92,555 |
| | |
| Net increase before transfers | 81,067 |
| | |
| Transfers | 36 |
| | |
| Net Assets Available for Benefits, December 31, 2009 | $1,139,075 |

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 originally 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. On November 18, 2005, ATTC 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 Master Trust (Master Trust) for certain participant investment fund options as described below. The Master Trust invests in the AT&T Savings Group Investment Trust (Group Trust) for the remaining participant investment fund options. The Bank of New York Mellon Corporation (BNY Mellon) serves as trustee for both the Master Trust and the Group Trust. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) serves as recordkeeper for the Plan.

During 2009, participants could invest their contributions in one or more of 26 funds in 10% increments for future contributions and 5% increments for fund exchanges:

· 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 Allocation Strategy Growth**
· Asset Allocation Strategy Balanced**
· Asset Allocation 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**

* Investment fund option of the Group Trust.
** Investment fund option of the Master Trust.

Participants contribute to the Plan 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.

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. The trustee is not permitted to 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 those shares that were allocated, unless the Committee directs the trustee otherwise. 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. 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.

Administrative Expenses  All expenses incident to the administration of the Plan will be paid from the Plan, Group Trust or Master Trust except to the extent such expenses are paid by the Company. To the extent that expenses incident to the administration of the Plan are paid from the Plan, Group Trust, or Master Trust, the plan administrator (as defined by the Plan) will determine which expenses are to be charged to and paid from participant's individual accounts, which expenses are to be charged to and paid from the accounts of all participants (and how they are to be allocated among such accounts), and which expenses are to be charged to and paid from the accounts of one or more identified groups of participants (and how they are to be allocated among such accounts).

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 (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 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.

Common/collective trust funds are valued at redemption values that represent the net asset values of units held at year-end in accordance with Accounting Standards Update (ASU) 2009-12, "Investments in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent)" as discussed below. 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 reported at cost, which approximates fair value.

Under GAAP, 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 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 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.

Recent Accounting Standards

Accounting Standards Codification  In June 2009, the Financial Accounting Standards Board (FASB) issued standards that established the FASB Accounting Standards Codification (ASC or Codification) as the source of authoritative GAAP by the FASB for nongovernmental entities. The ASC supersedes all non-SEC accounting and reporting standards that existed at the ASC's effective date. The FASB uses ASUs to amend the ASC. The Plan's financial statements refer to ASUs throughout the footnotes where deemed relevant and make general references to pre-Codification standards. These standards were effective for periods ending after September 15, 2009 (i.e., year ended December 31, 2009, for the Plan). There was no impact to the Plan's financial statements in the adoption of these standards, except for updating the appropriate references to the guidance that was codified in these standards.

Fair Value Measurements and Disclosures  In April 2009, ASC Topic 820, Fair Value Measurements and Disclosures (ASC 820), was amended to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. This amendment (ASC 820-10-65) also provides additional guidance on circumstances that may indicate that a transaction is not orderly and on defining major categories of debt and equity securities in meeting the disclosure requirements of ASC 820. Per ASC 820-10-65, this amendment is effective for reporting periods ending after June 15, 2009 (i.e., year ended December 31, 2009, for the Plan), and the Plan has adopted this amendment. Adoption of ASC820-10-65 did not have a material effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

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

In September 2009, the FASB issued “Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)” (ASU 2009-12), which provides guidance for an investor on using the net asset value (NAV) per share provided by an investee to estimate the fair value of an alternative investment when the fair value for the primary investment is not readily determinable. It affects certain investments that are required or permitted by GAAP to be measured or disclosed at fair value on a recurring or nonrecurring basis. It requires disclosures by major category of investment about certain attributes (e.g., applicable redemption restrictions, unfunded commitments to the issuer of the investments, and the investment strategies of that issuer). ASU 2009-12 was effective for annual periods ending on or after December 15, 2009 (i.e., the year ended December 31, 2009, for the Plan). See Note 4 for the impact of the Plan’s adoption of ASU 2009-12. Adoption of ASU 2009-12 did not have a material effect on the Plan’s net assets available for benefits or its changes in net assets available for benefits.

In January 2010, the FASB issued “Fair Value Measurements and Disclosures—Improving Disclosures about Fair Value Measurements” (ASU 2010-06), which requires new disclosures and reasons for transfers of financial assets and liabilities between Levels 1, 2 and 3. ASU 2010-06 also clarifies that fair value measurement disclosures are required for each class of financial asset and liability, and those disclosures should include a discussion of inputs and valuation techniques. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these changes. With respect to matters other than Level 3 measurements, ASU 2010-06 is effective for fiscal years and interim periods beginning on or after December 15, 2009 (i.e., the year ending December 31, 2010, for the Plan). New guidance related to Level 3 measurements is effective for fiscal years and interim periods beginning on or after December 15, 2010 (i.e., the year ending December 31, 2011, for the Plan). The Plan management is currently evaluating the impact of ASU 2010-06 on the Plan’s financial statements.

Derivative Instruments and Hedging Activities Disclosures In March 2008, the FASB amended the disclosure requirements for derivative instruments and hedging activities. This guidance was later codified in ASC 815-10-50. The new guidance requires enhanced disclosures about an entity’s derivative and hedging activities to improve the transparency of financial reporting. The Plan adopted the new guidance as of January 1, 2009, which increased the Plan’s disclosures (see Note 4) but did not have an impact on the Plan’s statement of net assets available for benefits or statement of changes in net assets available for benefits.

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:<br>· Quoted prices for similar assets and liabilities in active markets;<br>· Quoted prices for identical or similar assets or liabilities in inactive markets;<br>· 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. |

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

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 must 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, 2009 and 2008.

The only investments held by the Plan (outside of the Group Trust and Master Trust) is participant loans, and is classified as a Level 3 investment in the fair value hierarchy. There are no realized or unrealized gains or losses on participant loans. The change of $(620) from the December 31, 2008 balance consists solely of net issuances and settlements. See Note 4 for fair value hierarchy for the Group Trust's and Master Trust's investments.

4. Investments – The Plan held an investment in the Master Trust, and the Master Trust held an investment in the Group Trust as of December 31, 2009 and 2008, and for the year ended December 31, 2009.

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 plans and ownership percentages of the Master Trust are listed below:

| | December 31, | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| AT&T Long Term Savings and Security Plan | 99.93 | % | 99.93 | % |
| AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan | 0.07 | % | 0.07 | % |
| | 100.0 | % | 100.0 | % |

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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.

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| AT&T Shares Fund | 99.965 % | 99.956 % |
| Vanguard Windsor II Admin | 99.974 % | 99.976 % |
| Vanguard US Growth Admin | 99.988 % | 99.987 % |
| T Rowe Price Small Cap Stock | 99.991 % | 99.990 % |
| T Rowe Price Mid Cap Growth | 99.995 % | 99.995 % |
| Capital World Growth and Income | 99.964 % | 99.961 % |
| Morgan Stanley International Equity | 99.805 % | 99.804 % |
| Legg Mason Value Trust Inst | 99.959 % | 99.958 % |
| Asset Allocation Strategy Growth | 99.995 % | 99.963 % |
| Asset Allocation Strategy Balanced | 100.000 % | 99.996 % |
| Asset Allocation Strategy Income | 100.000 % | 100.000 % |
| US Bond Market Index | 99.759 % | 99.914 % |
| S&P 500 Index Fund | 99.975 % | 99.850 % |
| Total US Stock Market Index | 100.000 % | 100.000 % |
| Extended US Stock Market Index | 100.000 % | 100.000 % |
| International Stock Market Index | 99.945 % | 99.948 % |
| Fidelity Magellan | 99.759 % | 99.760 % |
| Fidelity Equity Income | 99.994 % | 99.993 % |
| Fidelity Low Price Stock | 99.883 % | 99.888 % |
| Fidelity Diversified International | 99.912 % | 99.928 % |
| Fidelity Dividend Growth | 99.946 % | 99.939 % |
| Fidelity High Income | 99.964 % | 100.000 % |

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

| | 2009 | 2008 |
|---|---|---|
| Cash and cash equivalents | $3,143 | $2,828 |
| AT&T common stock | 73,177 | 74,657 |
| Registered investment companies | 268,364 | 195,205 |
| Common/collective trust funds | 75,904 | 65,606 |
| Investment in AT&T Group Investment Trust (at fair value) | 700,528 | 679,998 |
| Master trust investments at fair value | 1,121,116 | 1,018,294 |
| Net other assets and liabilities | (27 ) | - |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (11,755 ) | 9,269 |
| Net assets | $1,109,334 | $1,027,563 |

Net Appreciation (Depreciation) in Fair Value of Master Trust Investments and Total Investment Income for the year ended December 31, 2009

| | 2009 |
|---|---|
| AT&T common stock | $(1,107) |
| Registered investment companies | 70,615 |
| Common/collective trust funds | 12,847 |
| Investments in Group Trust | 23,594 |
| Total net appreciation in fair value of Master Trust Investments | $105,949 |
| | |
| Investment income: | |
| Interest | $7 |
| Dividends | 7,713 |
| Group Trust Dividends | 18,306 |
| Total investment income | $26,026 |

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

In accordance with ASC 821-10-65, the Master Trust expanded its disclosures to include the major categorization for debt and equity securities on the basis of nature and risks of the investments. The following table sets forth by level, within the fair value hierarchy, the Master Trust's assets at fair value as of December 31, 2009, excluding the investment in the Group Trust which is disclosed below.

| | Master Trust Assets at Fair Value as of December 31, 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| US Equity Securities | | | | |
| AT&T common stock | $73,177 | $- | $- | $73,177 |
| Total US Stock Index Fund1 | - | 5,516 | - | 5,516 |
| S&P 500 Index Fund2 | - | 11,179 | - | 11,179 |
| Extended US Stock Index Fund3 | - | 4,748 | - | 4,748 |
| Mutual Funds – Large Cap | 165,857 | - | - | 165,857 |
| Mutual Funds – Mid Cap | 69,794 | - | - | 69,794 |
| Mutual Funds – Small Cap | 19,018 | - | - | 19,018 |
| Mutual Funds – High Yield Bond | 13,695 | - | - | 13,695 |
| International Equity Securities | | | - | |
| International Stock Index Fund4 | - | 4,273 | - | 4,273 |
| US Fixed Income Securities | | | | |
| US Bond Market Index Fund5 | - | 18,133 | - | 18,133 |
| International Fixed Income Securities | | | | |
| Asset Allocation (AA) Funds | | | | |
| AA Strategy Balanced6 | - | 13,096 | - | 13,096 |
| AA Strategy Growth7 | - | 13,595 | - | 13,595 |
| AA Strategy Income8 | - | 5,364 | - | 5,364 |
| Cash and cash equivalents | 3,143 | - | - | 3,143 |
| Total assets at fair value | $344,684 | $75,904 | $- | $420,588 |

1This 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 Dow Jones Wilshire 5000 Index. This common/collective trust fund has temporary redemption restrictions limited to semi-monthly. The fair value of the investment in this category has been estimated using the net asset value per share.