

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:

AT&T RETIREMENT SAVINGS 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

AT&T SAVINGS PLAN
AT&T RETIREMENT SAVINGS PLAN
AT&T PUERTO RICO SAVINGS PLAN
AT&T PUERTO RICO RETIREMENT SAVINGS PLAN

Financial Statements, Supplemental Schedules and Exhibit

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Plan Administrator
of the AT&T Savings Plan, AT&T Retirement Savings Plan, AT&T Puerto Rico Savings Plan and AT&T Puerto Rico Retirement Savings Plan

We have audited each of the accompanying statements of net assets available for benefits of the AT&T Savings Plan, AT&T Retirement Savings Plan, AT&T Puerto Rico Savings Plan and AT&T Puerto Rico Retirement Savings Plan (collectively referred to as the Plans) as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for each of the Plans for the year ended December 31, 2010. These financial statements are the responsibility of the Plans' 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 Plans' 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 Plans' 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 for each of the Plans referred to above present fairly, in all material respects, the net assets available for benefits for each of the Plans at December 31, 2010 and 2009, and the changes in their net assets available for benefits for the year ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements for each of the Plans taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2010, are presented for purposes of additional analysis and are not a required part of the financial statements but are 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, as amended. These supplemental schedules are the responsibility of the Plans' management. The supplemental schedules have been subjected to auditing procedures applied in our audits of the financial statements for each of the Plans, and in our opinion, are fairly stated in all material respects in relation to the financial statements for each of the Plans taken as a whole.

Dallas, Texas
June 17, 2011

/s/ Ernst & Young LLP

Statements of Net Assets Available For Benefits
 December 31, 2010
 (Dollars in Thousands)

	AT&T Savings Plan	AT&T Retirement Savings Plan	AT&T Puerto Rico Savings Plan	AT&T Puerto Rico Retirement Savings Plan
Assets				
Investment in AT&T Savings Plan Master Trust, at fair value (Note 4)	\$21,582,410	\$580,462	\$39,812	\$5,911
Receivables:				
Notes receivable from participants	475,022	54,645	3,055	897
Employer contribution receivable	61	1,265	-	29
Participant contribution receivable	163	2,325	3	55
Net assets reflecting investments at fair value	22,057,656	638,697	42,870	6,892
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(242,945)	(4,903)	(507)	(44)
Net Assets Available for Benefits	\$21,814,711	\$633,794	\$42,363	\$6,848

See Notes to Financial Statements.

Statements of Net Assets Available For Benefits
 December 31, 2009
 (Dollars in Thousands)

Assets	AT&T Savings Plan	AT&T Retirement Savings Plan	AT&T Puerto Rico Savings Plan	AT&T Puerto Rico Retirement Savings Plan
Investment in AT&T Savings Plan Master Trust, at fair value (Note 4)	\$ 19,499,212	\$ 447,239	\$ 14,812	\$ 4,732
Notes receivable from participants	455,093	43,814	1,080	714
Net assets reflecting investments at fair value	19,954,305	491,053	15,892	5,446
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(102,825)	(2,071)	(89)	(18)
Net Assets Available for Benefits	\$ 19,851,480	\$ 488,982	\$ 15,803	\$ 5,428

See Notes to Financial Statements.

Statements of Changes in Net Assets Available For Benefits
For the Year Ended December 31, 2010
(Dollars in Thousands)

	AT&T Savings Plan	AT&T Retirement Savings Plan	AT&T Puerto Rico Savings Plan	AT&T Puerto Rico Retirement Savings Plan
Net Assets Available for Benefits, December 31, 2009	\$19,851,480	\$488,982	\$15,803	\$5,428
Additions to Net Assets				
Contributions:				
Participant contributions	823,902	81,649	2,349	803
Employer contributions	374,075	48,142	1,502	537
Investment Income:				
Net income from investment in AT&T Savings Plan Master Trust	2,185,953	60,693	4,010	677
Interest income on notes receivable from participants	24,071	2,300	91	36
Total Additions	3,408,001	192,784	7,952	2,053
Deductions from Net Assets				
Administrative Expenses	8,851	3,623	89	41
Distributions	1,457,872	69,344	1,975	593
Total Deductions	1,466,723	72,967	2,064	634
Net increase before transfers	1,941,278	119,817	5,888	1,419
Net transfers from affiliated plans (Note 1)	21,953	24,995	20,672	1
Net Assets Available for Benefits, December 31, 2010	\$21,814,711	\$633,794	\$42,363	\$6,848

See Notes to Financial Statements.

Notes to Financial Statements
(Dollars in Thousands)

1. Plan Descriptions

The following descriptions provide only general information. Detailed provisions covering participant eligibility, participant allotments from pay, participant withdrawals, participant loans, employer contributions and related vesting of contributions and plan expenses are provided in the plan texts and prospectuses. The AT&T Savings Plan, AT&T Retirement Saving Plan, AT&T Puerto Rico Savings Plan and AT&T Puerto Rico Retirement Savings Plan (collectively referred to as the Plans) are defined contribution plans and are subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The AT&T Savings Plan (ASP) was originally established by SBC Communications Inc. (SBC) to provide a convenient way for eligible management and certain non-management, non-collectively-bargained for employees of participating AT&T Inc. (AT&T or the Company) companies to save for retirement on a regular and long-term basis. In connection with the November 2005 merger of AT&T Corp. (ATTC), SBC changed its name to AT&T.

The AT&T Retirement Savings Plan (ARSP) was originally established by BellSouth Corporation (BellSouth) to provide a convenient way for eligible non-management and bargained for employees of participating BellSouth companies to save on a regular and long-term basis. In December 2006, BellSouth was acquired by AT&T.

The AT&T Puerto Rico Savings Plan (ASP-PR) was originally established by ATTC to provide a convenient way for eligible management employees of participating ATTC companies to save on a regular and long-term basis. In November 2005, ATTC was acquired by AT&T, formerly SBC.

The AT&T Puerto Rico Retirement Savings Plan (ARSP-PR) was originally established by AT&T to provide a convenient way for eligible employees of its Puerto Rico subsidiary, CCPR Services Inc., and certain affiliates, to save on a regular and long-term basis.

All savings plans sponsored by AT&T allow for the transfer of participant balances between plans as participants transfer between positions within AT&T subsidiaries. Additionally, in 2010, AT&T amended the Plans to merge the participant account balances and assets of the Centennial Communications Corp. Retirement Investment Plan, effective on June 1, 2010 and November 16, 2010 and the Centennial PR Operations Corporation Retirement Investment Plan, effective on June 1, 2010, into the Plans, based on the eligibility provisions of each of the Plans.

The Plans participate in the AT&T Savings Plan Master Trust (AT&T Master Trust) for certain participant investment fund options as described below. The AT&T 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 (BNY) Mellon Corporation (BNY Mellon) serves as trustee for both the AT&T Master Trust and Group Trust. With respect to the ASP-PR and ARSP-PR, BNY Mellon serves as a U.S. custodian pursuant to a custodian agreement and effective April 30, 2010, Oriental Financial Group serves as trustee for these two plans. Prior to April 30, 2010, Eurobank served as trustee for these two plans. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) serves as record keeper for the Plans.

During 2010, participants could invest their contributions in one or more of 11 funds in 1% increments:

- AT&T Total Return Bond Fund* · Small and Mid-Sized U.S. Stock Index Fund**

- AT&T U.S. Stock Fund*
- AT&T International Stock Fund*
- AT&T Stable Value Fund*
- AT&T Age-Based Asset Allocation Funds (based on retirement date)**
- Total U.S. Stock Market Index Fund**
- International Stock Index Fund**
- Large Cap U.S. Stock Index Fund**
- AT&T Shares Fund**
- Fidelity BrokerageLink®**1

1Not available in the ASP-PR and ARSP-PR

* Investment fund option of the Group Trust.

** Investment fund option of the AT&T Master Trust.

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Notes to Financial Statements (Continued)
(Dollars in Thousands)

Participants contribute to the Plans through payroll allotments. The Company contributes to the Plans by matching the participants' contributions based on the provisions of the respective plan. For the ASP, some matching contributions are made in the form of cash and are participant directed immediately upon allocation. The majority of Company matching contributions for the ASP and all Company matching contributions for the ARSP, ASP-PR and ARSP-PR are made solely in the form of shares of AT&T's common stock held in an Employee Stock Ownership Plan (ESOP), which is a separate investment account of the Plans. Vested Company contributions made to the Plans that are invested in the ESOP can be immediately diversified into any of the fund options above.

Dividends on shares in the AT&T Shares Fund and the ESOP 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, participants elected to receive the following dividend distributions, which are included in distributions on the statements of changes in net assets available for benefits.

Plan	Dividend Distribution
ASP	\$36,369
ARSP	489
ASP-PR	-
ARSP-PR	-

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 the 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 obligation 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 Plans to discontinue its contributions at any time and to terminate the Plans subject to the provisions of ERISA. In the event that the Plans are terminated, subject to the conditions set forth by ERISA, the account balances of all participants shall be 100% vested.

Administrative and Operating Expenses; Investment Manager Fees Except to the extent paid by the Company, all expenses incident to the administration and operation of the Plans are charged to participants, either directly to their accounts or through the investment funds offered under the Group Trust or AT&T Master Trust, in accordance with administrative procedures established by the plan administrator. Investment manager fees are charged through the investment funds. Expenses charged directly to participant accounts (e.g., recordkeeping, communications fees) are reflected as a periodic fee on the participant account statements. In addition, expenses and fees with respect to certain transactions and services (e.g., plan loan initiation fees) are charged directly to participants who incur them rather than to the Plans as a whole.

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. Investments in securities not traded on a national securities exchange are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. 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 pricing models, simulation models or a combination of various models.

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Notes to Financial Statements (Continued)
(Dollars in Thousands)

Common/collective trust funds and 103-12 investments entities (i.e., an investment entity that holds the assets of two or more plans which are not members of a related group of employee benefit plans) 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 defined contribution plans 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 Plans. 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 associated cash flows of the investment 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 recorded as of the trade date. Realized gains and losses on sales of securities are determined on the basis of average cost. Interest earned on investments is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

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.

Recent Accounting Standards

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 Plans' net assets available for benefits or its changes in net assets available for benefits.

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.

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Notes to Financial Statements (Continued)
(Dollars in Thousands)

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 Plans' financial statements.

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 Plans have the ability to access.

Level 2 Inputs to the valuation methodology include:

- 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 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 the Plans' 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.

4. Investments

The Plans held investments in the AT&T Master Trust (for certain investment fund options as disclosed in Note 1), and the AT&T Master Trust held an investment in the Group Trust as of December 31, 2010 and 2009, and for the year ended December 31, 2010.

AT&T Savings Plan Master Trust Investments

AT&T established the AT&T Master Trust to manage assets of pooled investment options among various AT&T sponsored employee benefit plans.

Each participating plan's interest in the investment fund options (i.e., separate accounts) of the AT&T Master Trust is based on account balances of the participants and their elected investment fund options. The AT&T Master Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and expenses) that can be specifically identified, and by allocating investment income and administrative expenses related to the AT&T Master Trust on a daily basis based on each participant's account balance within each investment fund option.

The participating plans and ownership percentages of the AT&T Master Trust are listed below:

	December 31, 2010		2009	
AT&T Savings Plan	97.17	%	97.67	%
AT&T Retirement Savings Plan	2.62	%	2.24	%
AT&T Puerto Rico Savings Plan	0.18	%	0.07	%
AT&T Puerto Rico Retirement Savings Plan	0.03	%	0.02	%
Total	100.0	%	100.0	%

The Plans' percentage interest in each of the investment fund options within the AT&T Master Trust at December 31, 2010 is disclosed below:

	December 31, 2010				AT&T Puerto Rico Retirement Savings Plan	
	AT&T Savings Plan	%	AT&T Retirement Savings Plan	%	AT&T Puerto Rico Savings Plan	%
Total U.S. Stock Market Index Fund	99.135	%	0.850	%	0.012	%
Large Cap U.S. Stock Index Fund	96.181	%	3.634	%	0.128	%
Small and Mid-Sized U.S. Stock Index Fund	97.042	%	2.681	%	0.231	%
International Stock Index Fund	96.723	%	3.041	%	0.198	%
AT&T Shares Fund	98.340	%	1.640	%	0.017	%
AT&T Age-Based Asset Allocation Funds:						
AT&T Age-Based Allocation 2000 Fund	93.550	%	6.218	%	0.148	%
AT&T Age-Based Allocation 2005 Fund	99.499	%	0.485	%	0.010	%
AT&T Age-Based Allocation 2010 Fund	96.522	%	3.371	%	0.081	%
AT&T Age-Based Allocation 2015 Fund	99.117	%	0.860	%	0.022	%
AT&T Age-Based Allocation 2020 Fund	95.801	%	3.965	%	0.186	%
AT&T Age-Based Allocation 2025 Fund	98.307	%	1.612	%	0.079	%
AT&T Age-Based Allocation 2030 Fund	93.983	%	5.719	%	0.263	%

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AT&T Age-Based Allocation 2035 Fund	93.456	%	6.168	%	0.333	%	0.043	%
AT&T Age-Based Allocation 2040 Fund	84.621	%	14.518	%	0.728	%	0.133	%
AT&T Age-Based Allocation 2045 Fund	54.205	%	44.914	%	0.535	%	0.346	%
AT&T Age-Based Allocation 2050 Fund	65.746	%	33.552	%	0.597	%	0.105	%
Fidelity BrokerageLink®	98.932	%	1.068	%	-		-	

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Notes to Financial Statements (Continued)
(Dollars in Thousands)

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The Plans' percentage interest in each of the investment fund options within the AT&T Master Trust at December 31, 2009 is disclosed below:

	AT&T Savings Plan		AT&T Retirement Savings Plan		AT&T Puerto Rico Savings Plan		AT&T Puerto Rico Retirement Savings Plan	
Total U.S. Stock Market Index Fund	99.560	%	0.437	%	-		0.003	%
Large Cap U.S. Stock Index Fund	96.289	%	3.541	%	0.113	%	0.057	%
Small and Mid-Sized U.S. Stock Index Fund	97.326	%	2.502	%	0.122	%	0.051	%
International Stock Index Fund	96.942	%	2.832	%	0.185	%	0.040	%
AT&T Shares Fund	98.560	%	1.425	%	0.013	%	0.001	%
AT&T age-based asset allocation funds:								
AT&T Age-Based Allocation 2000 Fund	93.094	%	6.712	%	0.102	%	0.092	%
AT&T Age-Based Allocation 2005 Fund	99.856	%	0.138	%	0.001	%	0.005	%
AT&T Age-Based Allocation 2010 Fund	96.665	%	3.231	%	0.073	%	0.031	%
AT&T Age-Based Allocation 2015 Fund	99.514	%	0.481	%	0.005	%	-	
AT&T Age-Based Allocation 2020 Fund	95.870	%	3.937	%	0.144	%	0.049	%
AT&T Age-Based Allocation 2025 Fund	98.994	%	0.972	%	0.034	%	0.001	%
AT&T Age-Based Allocation 2030 Fund	94.389	%	5.528	%	0.051	%	0.032	%
AT&T Age-Based Allocation 2035 Fund	96.572	%	3.382	%	0.023	%	0.022	%
AT&T Age-Based Allocation 2040 Fund	85.857	%	13.833	%	0.196	%	0.115	%
AT&T Age-Based Allocation 2045 Fund	62.685	%	36.947	%	0.053	%	0.315	%
AT&T Age-Based Allocation 2050 Fund	73.360	%	26.517	%	0.003	%	0.120	%
Fidelity BrokerageLink®	98.843	%	1.157	%	-		-	

The financial position of the AT&T Master Trust was as follows:

	December 31,	
	2010	2009
Interest bearing cash	\$ 7,960	\$ 6,291
AT&T common stock	3,990,359	3,612,637
Common/collective trust funds	7,232,658	6,029,823
Short-term investments	9,038	12,063
Fidelity BrokerageLink:		
Registered investment companies	1,017,792	906,251
Common stock	223,091	168,495
Corporate debt instruments	1,856	1,060
Government bonds	1,557	1,274
Interest bearing cash	143,098	127,076
Other	54	11
Investment in Group Trust	9,590,518	9,108,208
AT&T Master Trust investments, at fair value	\$ 22,217,981	\$ 19,973,189
Net other assets and liabilities	(9,386)	(7,575)
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(248,399)	(105,004)
Net assets available for benefits	\$ 21,960,196	\$ 19,860,610

Notes to Financial Statements (Continued)
(Dollars in Thousands)

Net Appreciation in Fair Value of AT&T Master Trust Investments and Total Investment Income for the year ended December 31, 2010:

	2010
AT&T common stock	\$ 193,653
Common/collective trust funds	1,227,192
Short term investments	220
Fidelity BrokerageLink:	
Registered investment companies	163,765
Common stock	18,985
Corporate debt instruments	68
Government bonds	321
Interest bearing cash	137
Other	5
Investment in Group Trust	646,887
Total net appreciation in fair value of AT&T Master Trust Investments	\$ 2,251,233
Investment interest income	\$ 100

The following tables set forth by level, within the fair value hierarchy, the AT&T Master Trust's assets at fair value, excluding its investment in the Group Trust:

	AT&T Master Trust Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$7,960	\$-	\$-	\$7,960
Blended equity and debt:				
Asset allocation funds ¹	-	2,114,123	-	2,114,123
U.S. equity securities:				
AT&T common stock	3,990,359	-	-	3,990,359
Total U.S. stock market index fund ²	-	382,039	-	382,039
Large cap U.S. stock index fund ³	-	2,544,283	-	2,544,283
Small and mid-sized U.S. stock index fund ⁴	-	1,298,312	-	1,298,312
International equity securities:				
International stock index fund ⁵	-	893,901	-	893,901
Fidelity BrokerageLink:				
Registered investment companies	1,017,792	-	-	1,017,792
Common stock	223,091	-	-	223,091
Corporate debt instruments	-	1,856	-	1,856
Government bonds	-	1,557	-	1,557
Interest bearing cash	143,098	-	-	143,098
Other	-	54	-	54
Short-term investments	9,038	-	-	9,038
Total assets at fair value	\$5,391,338	\$7,236,125	\$-	\$12,627,463

Notes to Financial Statements (Continued)
(Dollars in Thousands)

AT&T Master Trust Assets at Fair Value as of
December 31, 2009

	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$6,291	\$-	\$-	\$6,291
Blended equity and debt:				
Asset allocation funds ¹	-	1,700,741	-	1,700,741
U.S. equity securities:				
AT&T common stock	3,612,637	-	-	3,612,637
Total U.S. stock market index fund ²	-	302,781	-	302,781
Large cap U.S. stock index fund ³	-	2,282,746	-	2,282,746
Small and mid-sized U.S. stock index fund ⁴	-	932,150	-	932,150
International equity securities:				
International stock index fund ⁵	-	811,405	-	811,405
Fidelity BrokerageLink:				
Registered investment companies	906,251	-	-	906,251
Common stock	168,495	-	-	168,495
Corporate debt instruments	-	1,060	-	1,060
Government bonds	-	1,274	-	1,274
Interest bearing cash	127,076	-	-	127,076
Other	-	11	-	11
Short-term investments	12,063	-	-	12,063
Total assets at fair value	\$4,832,813	\$6,032,168	\$-	\$10,864,981

¹This category includes 11 common/collective trust funds also known as Aged-Based Asset Allocation Funds 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 through the projected retirement date and for a number of years thereafter. 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 values of the investments in this category have been estimated using the net asset value per share.

²This 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. 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.

³This 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.

⁴This 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 4500 Index. 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.

5This 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 All Country World Index ex U.S. Index. Except for a short-term trading fee applicable to certain participant transactions, 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.

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Notes to Financial Statements (Continued)
(Dollars in Thousands)

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' percentage interest of the Group Trust is listed below:

	2010		December 31, 2009	
AT&T Savings Plan Master Trust (AT&T Master Trust)	86.6	%	85.9	%
AT&T Savings Master Trust (Master Trust)	6.3	%	6.6	%
BellSouth Savings and Security Plan	7.1	%	7.5	%
Total	100.0	%	100.0	%

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Notes to Financial Statements (Continued)
(Dollars in Thousands)

The AT&T Master Trust'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 loaned	-	71	-	-	71
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	-	-	-	(311,368)	(311,368)

benefit-responsive investment contracts										
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					
AT&T Master Trust's percentage ownership interest of investments	98.5	%	97.0	%	98.1	%	79.8	%	86.6	%

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Notes to Financial Statements (Continued)
(Dollars in Thousands)

The AT&T Master Trust'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
Government securities	-	-	-	3,682,357	3,682,357
Government securities – loaned	-	-	-	(613,841)	(613,841)

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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
AT&T Master Trust's percentage ownership interest of investments	98.5 %	96.9 %	98.1 %	79.5 %	85.9 %

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Notes to Financial Statements (Continued)
(Dollars in Thousands)

Net Appreciation (Depreciation) in Fair Value of Group 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

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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			
	Level 1	Level 2	Level 3	Total
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 total return 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:				
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

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Collateral received for securities loaned	71	-	-	71
Total assets and liabilities at fair value	\$3,788,712	\$7,751,632	\$-	\$11,540,344

The 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.

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Notes to Financial Statements (Continued)
(Dollars in Thousands)

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. governments securities is approximately 14 years.

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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			Total
Level 1	2	Level 3		
Interest bearing cash	\$3,690	\$		