

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 OF PUERTO RICO, INC.
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 of Puerto Rico, Inc. Long Term Savings and Security Plan

We have audited the accompanying statements of net assets available for benefits of the AT&T of Puerto Rico, Inc. 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

AT&T OF PUERTO RICO, INC.
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	\$808	\$743
Participant loans receivable	80	95
Net assets reflecting investments at fair value	888	838
Adjustment from fair value to contract value for fully benefit- responsive investment contracts	(9) 8
Net Assets Available for Benefits	\$879	\$846

See Notes to Financial Statements.

AT&T OF PUERTO RICO, INC.

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	\$846
Additions to Net Assets:	
Contributions:	
Participant contributions	43
Employer contributions	21
	64
Investment Income:	
Net income from investment in AT&T Savings Master Trust	94
Interest on participant loans	5
	99
Total Additions	163
Deductions from Net Assets:	
Distributions	101
Administrative expenses	29
Total Deductions	130
Net increase	33
Net Assets Available for Benefits, December 31, 2009	\$879

See Notes to Financial Statements.

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

1. Plan Description – The AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan (Plan) is a defined contribution plan originally established by AT&T of Puerto Rico, Inc., (AT&T Corp. (ATTC) later replaced AT&T of Puerto Rico, Inc. as Plan Sponsor and Plan Administrator) to provide a convenient way for eligible non-management employees of participating ATTC 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. EuroBank serves as local trustee under Puerto Rican law. 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 High Income**
- 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**
- Fidelity Diversified International**
- Extended US Stock Market Index**
- International Stock Market Index**
- Fidelity Dividend Growth**
- AT&T Shares Fund**
- Total US Stock Market Index**

* 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 OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(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.

AT&T OF PUERTO RICO, INC.
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(Dollars in Thousands)

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.

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:

- 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.

AT&T OF PUERTO RICO, INC.
 LONG TERM SAVINGS AND SECURITY PLAN
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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 (\$15) 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	%

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

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

	December 31			
	2009		2008	
AT&T Shares Fund	0.035	%	0.044	%
Vanguard Windsor II Admin	0.026	%	0.024	%
Vanguard US Growth Admin	0.012	%	0.013	%
T Rowe Price Small Cap Stock	0.009	%	0.010	%
T Rowe Price Mid Cap Growth	0.005	%	0.005	%
Capital World Growth and Income	0.036	%	0.039	%
Morgan Stanley International Equity	0.195	%	0.196	%
Legg Mason Value Trust Inst	0.041	%	0.042	%
Asset Allocation Strategy Growth	0.005	%	0.037	%
Asset Allocation Strategy Balanced	0.000	%	0.004	%
Asset Allocation Strategy Income	0.000	%	0.000	%
US Bond Market Index	0.241	%	0.086	%
S&P 500 Index Fund	0.025	%	0.150	%
Total US Stock Market Index	0.000	%	0.000	%
Extended US Stock Market Index	0.000	%	0.000	%
International Stock Market Index	0.055	%	0.052	%
Fidelity Magellan	0.241	%	0.240	%
Fidelity Equity Income	0.006	%	0.007	%
Fidelity Low Price Stock	0.117	%	0.112	%
Fidelity Diversified International	0.088	%	0.072	%
Fidelity Dividend Growth	0.054	%	0.061	%
Fidelity High Income	0.036	%	0.000	%

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

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

AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(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 Fund ¹	-	5,516	-	5,516
S&P 500 Index Fund ²	-	11,179	-	11,179
Extended US Stock Index Fund ³	-	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 Fund ⁴	-	4,273	-	4,273
US Fixed Income Securities				
US Bond Market Index Fund ⁵	-	18,133	-	18,133
Asset Allocation (AA) Funds				
AA Strategy Balanced ⁶	-	13,096	-	13,096
AA Strategy Growth ⁷	-	13,595	-	13,595
AA Strategy Income ⁸	-	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.

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 Standard and Poor's Composite Stock Price Index of 500 stocks (the "S&P 500®"). 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.

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 Dow Jones Wilshire 4500 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.

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 Morgan Stanley Capital International Europe, Australasia, Far East Index (MSCI EAFE). 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.

5This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the fixed income securities included in Barclays Capital Aggregate Bond 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.

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AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
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(Dollars in Thousands)

6This category includes a common/collective trust fund with an overall objective of providing income and the potential for long-term growth of capital. The common/collective trust fund has temporary redemption restrictions are limited to semi-monthly. The fair value of the investment in this category has been estimated using the net asset value per share.

7This category includes a common/collective trust fund with an overall objective of providing long-term growth of capital. The 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.

8This category includes a common/collective trust fund with an overall objective of providing current income, moderate risk and relative stability of capital. The 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.

The following table sets forth by level, within the fair value hierarchy, the Master Trust's assets carried at fair value as of December 31, 2008:

	Master Trust Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$2,828	\$-	\$-	\$2,828
AT&T common stock	74,657	-	-	74,657
Registered investment companies	195,205	-	-	195,205
Common/collective trust funds	-	65,606	-	65,606
Total assets at fair value	\$272,690	\$65,606	\$-	\$338,296

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 plans.

Each participating plan's interest in the investment fund options (i.e., separate accounts) of the Group Trust is based on account balances of the participants and their elected investment fund options. The Group Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating among all plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Group Trust.

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

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

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	2009		December 31, 2008	
AT&T Savings Plan Master Trust	85.9	%	83.4	%
AT&T Savings Master Trust	6.6	%	7.4	%
BellSouth Savings and Security Plan	7.5	%	9.2	%
Total	100.0	%	100.0	%

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AT&T OF PUERTO RICO, INC.
LONG TERM SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

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

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 investment contracts					
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)
Wrapper contracts	-	-	-	9,724	9,724
Market value of securities on loan	8,735	86,639	5,511	685,759	786,644
	8,765	88,311	5,660	688,669	791,405

Collateral received for securities loaned (held in common/collective trust funds)										
Group Investment 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	
Master Trust's Percentage ownership interest of investments	1.5	%	3.1	%	1.9	%	8.9	%	6.6	%

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

December 31, 2008	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	\$ -	\$ 43	\$ 7,426	\$ -	\$ 7,469
Common/collective trust funds	-	492,060	143,162	-	635,222
Corporate and other bonds and notes	-	-	171	-	171
Equities	-	1,174,101	250,366	-	1,424,467
Equities – loaned	-	(73,570)	(13,993)	-	(87,563)
Publicly traded partnerships	-	1,242	-	-	1,242
Registered investment companies	752,426	23,407	4,793	5,062	785,688
Registered investment companies – loaned	(37,925)				(37,925)
Investment contracts (at fair value):					
Guaranteed investment contracts	-	-	-	23,996	23,996
Synthetic investment contracts					
Common/collective trust funds	-	-	-	26,927	26,927
Corporate and other bonds and notes	-	-	-	2,739,026	2,739,026
Corporate and other bonds and notes – loaned	-	-	-	(8,955)	(8,955)
Government securities	-	-	-	3,765,673	3,765,673
Government securities – loaned	-	-	-	(796,733)	(796,733)
Investments short sold (proceeds of \$97,067)	-	-	-	(97,762)	(97,762)
Wrapper contracts	-	-	-	17,863	17,863
Common/collective trust funds	-	-	-	3,120	3,120
Unsettled trades and other	-	-	-	(158,963)	(158,963)
Market value of securities on loan	37,925	73,570	13,993	805,688	931,176

AT&T Savings Group Investment Trust investments at fair value	752,426		1,690,853		405,918		6,324,942		9,174,139	
Unsettled trades and other	3,469		(636)		2,292		(5,499)		(374)	
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	-		-		-		96,719		96,719	
AT&T Savings Group Investment Trust investments	\$ 755,895		1,690,217		408,210		6,416,162		9,270,484	
Master Trust's percentage ownership interest of investments	1.8	%	3.1	%	2.1	%	9.5	%	7.4	%

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Net Appreciation (Depreciation) in Fair Value of AT&T Savings Group Investment Trust Investments and Total Investment Income for the year ended 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	\$-	\$-	\$ 4,766	\$-	\$4,766
Common/collective trust funds	-	130,265	55,778	-	186,043
Corporate and other bonds and notes	(149)	(13,250)	366	-	(13,033)
Equities	-	377,645	53,527	-	431,172
Publicly traded partnerships	-	(2,883)	-	-	(2,883)
Registered investment companies	79,851	-	-	-	79,851
Total net appreciation in fair value of Group Trust Investments	\$79,702	\$491,777	\$ 114,437	\$-	\$685,916

Investment income:					
Interest	\$-	\$114	\$24	\$252,313	\$252,451
Dividends	62,562	23,382	11,305	259	97,508
Securities lending	-	930	238	6,012	7,180
Total investment income of Group Trust Investments	\$62,562	\$24,426	\$11,567	\$258,584	\$357,139

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In accordance with ASC 820-10-65, the Group 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 Group Trust's assets at fair value as of December 31, 2009.

Group Trust Assets and Liabilities at Fair Value as of December 31, 2009				
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 3,690	\$ -	\$ -	\$ 3,690
US Equity Securities:			-	
US common stock	1,549,921			1,549,921
US common stock – loaned	(86,639)	-	-	(86,639)
Common/collective trusts1	-	559,025	-	559,025
International Equity Securities:				
Common stock	266,195	-	-	266,195
Common stock -loaned	(5,511)	-	-	(5,511)
Common/collective trusts2	-	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
US 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	-	606,575	-	606,575
Collateralized mortgage obligation	-	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)
Futures	2,253			2,253
Registered investment companies	262,154	-	-	262,154
Government securities	-	3,682,357	-	3,682,357
Government securities - loaned	-	(613,841)	-	(613,841)
Other investments	64,171	-	-	64,171
Wrapper contracts	-	9,724	-	9,724
Market value of securities on loan:				

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US stock fund	86,639	-	-	86,639
International stock fund	5,511	-	-	5,511
Total return bond fund	8,735		-	8,735
Synthetic GICS's:				
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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1The objective of the common/collective trust funds held in the AT&T US Stock Fund is to deliver high quality active exposure to the large-capitalization US equity market with close tracking of the index, high quality and cost-effective index-based solution to institutional investors and to provide for liquidity. These common/collective trust funds have redemption restrictions limited to daily and monthly settlement. All 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 the common/collective trust fund 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 (ACWI) ex U.S. Index. Two of the common/collective trust funds have redemption restrictions limited to weekly, semi-monthly or monthly. All but one of these funds is 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 are three collateral pools in which the Group Trust invests: 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 consists of liquid securities that can be redeemed on a one-day notice for return to borrowers immediately upon recall of loaned securities. There is \$520,143 invested in this fund as of December 31, 2009. The Term Assets Liquidating Trust consists of non-liquid securities that are currently performing but are intended to be held until maturity. Redemptions from this Trust are currently prohibited; however, the Plan could exit this Trust, receive a proportionate share of the securities, and then sell the assets. It is expected that over 93% of this pool will mature within 360 days. There is \$267,282 invested in this fund as of December 31, 2009. The ASL Short Term Fund - SIGMA (Liquidating Fund) consists of assets in default currently valued at \$526. Lending income is being reserved to offset the deficiency in this Fund. Redemptions Fund are currently prohibited; however, the Plan could exit this Fund, received proportionate share of the securities, and then sell the assets. There is \$3,454 invested in non-cash investments, such as U.S. Government debt.

The following table sets forth by level, within the fair value hierarchy, the Group Trust's assets at fair value as of December 31, 2008.

	Group Trust Assets Liabilities at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$7,426	\$43	\$-	\$7,469
Common/collective trust funds	-	635,222	-	635,222
Corporate and other bonds and notes	171	-	-	171
Equities	1,334,229	2,675	-	1,336,904
Publicly traded partnerships	1,242	-	-	1,242
Registered investment companies	742,701	5,062	-	747,763
Investment contracts:				
Guaranteed investment contracts	-	23,996	-	23,996
Synthetic investment contracts:				
Common/collective trust fund	-	30,047	-	30,047

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Corporate and other bonds and notes	208,230	2,521,841	-	2,730,071
Government securities	-	2,968,940	-	2,968,940
Wrap contracts	-	17,863	-	17,863
Other	-	(256,725)	-	(256,725)
Market value of securities on loan	125,488	805,688	-	931,176
Total assets and liabilities at fair value	\$2,419,487	\$6,754,652	\$-	\$9,174,139

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AT&T OF PUERTO RICO, INC.
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Derivative Financial Instruments

In the normal course of operations, Group Trust assets held in the AT&T Stable Value Fund (Stable Value Fund) are invested in certain derivative financial instruments (futures and foreign currency forward contracts). These instruments involve, in varying degrees, elements of credit and market risk in excess of the amounts recognized on the statements of net assets available for benefits. 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 these financial instruments as economic hedges to manage market risk and foreign currency exchange rate risk associated with the Fund's investment assets. The Group Trust's fiduciaries do not anticipate any material adverse effect on the Group Trust's net assets resulting from its involvement in these instruments.

Futures Contracts

The primary risk managed by the Group Trust using future contracts is the price risk associated with certain of the Plan's investments. On behalf of the Master Trust investment managers for the Group Trust entered into various futures contracts to economically hedge investments in domestic securities. These contracts, which are considered derivatives under FASB ASC 815 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 Master 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 equity price risk and interest rate risk, in the normal course of pursuing its investment objectives. The US interest rate futures held in the portfolio as of December 31, 2009 were used primarily to hedge and manage the duration risk of the portfolio.

The fair value of the open futures contracts are 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. Similarly, the gains and losses on open future contracts are reflected in the net appreciation/depreciation in the fair value of the Group Trust's investments and included in the Plan's Net Income from Investment in the AT&T Master Trust to the extent of the Plan's ownership.

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	Amount of Gain/(Loss) Recognized in Income
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90-Day EuroDollar Future	(39)	6/2010	\$ (9,684)	\$ (301)	\$ (301)
U.S. Treasury Bond Future	(295)	3/2010	\$ (34,036)	\$ 2,115	\$ 2,115
U.S. 10-Year Treasury Notes Future	(105)	3/2010	\$ (12,123)	\$ 300	\$ 300
U.S. 5-Year Treasury Notes Future	57	3/2010	\$ 6,520	\$ (101)	\$ (101)
U.S. 2-Year Treasury Notes Future	(253)	3/2010	\$ (54,715)	\$ 285	\$ 285
U.S. 10-Year Treasury Notes Future	(243)	3/2010	\$ (28,055)	\$ 1,067	\$ 1,067
U.S. 5-Year Treasury Notes Future	197	3/2010	\$ 22,533	\$ (363)	\$ (363)
U.S. 2-Year Treasury Notes Future	639	3/2010	\$ 138,194	\$ (749)	\$ (749)
Total				\$ 2,253	\$ 2,253

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The fair value of the open futures contracts are separately disclosed in the detail of the Group Trust investments presented above and are included in the Statement of Net Assets Available for Benefits to the extent of the Plan's ownership in the Group Trust. Similarly, the gains and losses on open future contracts are reflected in the net appreciation/depreciation in the fair value of the Group Trust's investments and included in the Plan's Net Income from Investment in the Master Trust to the extent of the Plan's ownership.

At December 31, 2008, open futures contracts held in the Group Trust were as follows:

Type of Contract	Number of Contracts Buy/(Sell)	Expiration	Notional Value
90 Day EuroDollar Future	(39)	6/2010	\$ (9,580)
US Treasury Bond Future	(126)	3/2009	(17,394)
US 10-Year Treasury Notes Future	(225)	3/2009	(28,294)
US 5-Year Treasury Notes Future	835	3/2009	99,411
US 2-Year Treasury Notes Future	89	3/2009	19,408
UK Long GILT Future	127	3/2009	22,545
US Treasury Bond Future	(336)	3/2009	(46,384)
US 10-Year Treasury Notes Future	362	3/2009	45,522
US 5-Year Treasury Notes Future	229	3/2009	27,264
US 2-Year Treasury Notes Future	19	3/2009	4,143

Foreign Currency Contracts

The primary risks managed by the Plan using foreign currency forward contracts is the foreign currency exchange rate risk associated with the Plan's investments denominated in foreign currencies. Investment managers for the Group Trust entered into forward foreign currency contracts, which are agreements to exchange foreign currencies at a specified future date at a specified rate, the terms of which are not standardized on an exchange. These contracts are intended to minimize the impact of foreign currencies. Although in some cases, forward foreign currency contracts are used to express a view on the direction of a particular currency. Risk arises both from the possible inability of the counterparties to meet the terms of the contracts (credit risk) and from movement in foreign currency exchange rates (market risk). Forward contracts are entered into with major banks to minimize credit risk, and accordingly, no credit reserve has been established against these amounts.

The contracts are recorded at fair value on the date the contract is entered into, which is typically zero. The net realized and unrealized gains or losses are included in the net appreciation/depreciation in the fair value of investments for the Group Trust, which is then allocated to the Master Trust and is included in the net income from investment in the Master Trust on the Plan's statement of changes in net assets available for benefits.

As of December 31, 2009 and 2008, the contracts held by the Group Trust were:

Notional Value	Fair value	Amount of Gain/(loss) recognized
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	2009	2008	2009	2008	2009	2008
Derivative Assets:	\$ 118,767	\$ 106,985	\$ (835)	\$ 1,580	\$ (835)	\$ 1,580
Derivative Liabilities:	\$ 118,767	\$ 106,985	\$ 846	\$ 197	\$ 846	\$ 197

Fully Benefit-Responsive Investment Contracts

The Stable Value Fund consist of fully benefit-responsive investment contracts with various financial institutions and insurance companies that promise to repay principal plus accrued income at contract maturity, subject to the creditworthiness of the issuer. Interest crediting rates are generally established when the contract is purchased and may be periodically reset.

The Stable Value Fund invests in GICs and Synthetic GICs. Synthetic GICs are also referred to as wrapper contracts. The assets supporting the Synthetic GICs are owned by the Group Trust and generally consist of high quality fixed income securities. At December 31, 2009, the underlying net assets allocated to the Master Trust had a fair value of \$597,373 and a contract value of \$585,618. At December 31, 2008, the underlying net assets allocated to the Master Trust had a fair value of \$605,630 and a contract value of \$614,899. For the years ended December 31, 2009 and 2008 the average yield earned on these contracts was 3.05% and 5.06%, and, the average yield earned by the Master Trust adjusted to reflect actual interest rate credited to participants, was 3.43% and 4.57%. No valuation reserves were recorded to adjust contract amounts as of December 31, 2009 or 2008.

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A bank or insurance company issues a wrapper contract that provides preservation of principal maintains a stable interest rate and provides daily liquidity at contract value for participant directed transactions, in accordance with the provisions of the Plan. Wrapper contracts amortize the realized and unrealized gains and losses on the underlying fixed income investments through adjustments to the future interest crediting rate. The issuer of the wrapper contract provides assurance that the adjustments to the interest crediting rate do not result in a future interest crediting rate that is less than zero, which would result in a loss of principal or accrued interest. The fair value of the wrapper contracts were \$9,724 and \$17,863 at December 31, 2009 and 2008.

Wrapper contracts' interest crediting rates are typically reset on a monthly or quarterly basis and are based on the characteristics of the underlying fixed income securities. Other key factors that influence the interest crediting rates are market interest rates, the amount and timing of participant transactions into and out of the wrapper contract, investment returns on the underlying fixed income securities and the duration of those investments. All wrapper contracts provide for minimum interest crediting rate of zero percent. In the event that the interest crediting rate should fall to zero and the requirements of the wrapper contract are satisfied, the wrapper issuer will pay the Group Trust the shortfall needed to maintain the rate at zero, ensuring participants' principal and accrued interest is protected.

Changes in market interest rates can affect the yield to maturity and the market value of the underlying investment, and can have a material impact on the wrapper contract's interest crediting rate. Additionally, participant withdrawals and transfers from the Stable Value Fund are paid at contract value but funded through the market value liquidation of the underlying investments, which also impacts the interest crediting rate. The resulting gains and losses in the market value of the underlying investments relative to the wrapper contract value are represented on the Plan's statement of net assets available for benefits as the "Adjustment from fair value to contract value for fully benefit-responsive investment contracts," and the amount allocated to the Master Trust totaled (\$11,755) at December 31, 2009, of which (\$9) was allocated to the Plan, and was \$9,269 at December 31, 2008, of which \$8 was allocated to the Plan. If this adjustment is positive, it indicates that the wrapper contract value is greater than the market value of the underlying investments and the embedded market value losses will be amortized in the future through a lower interest crediting rate. If the adjustment is negative, the embedded market gains would cause the future interest crediting rate to be higher.

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In certain circumstances, the amount withdrawn from the wrapper contract could be payable at fair value rather than at contract value. These events include termination of the Plan, a material adverse change to the provisions of the Plan, if AT&T elects to withdraw from a wrapper contract in order to switch to a different investment provider or, in the event of a spin-off or sale of a division, if the terms of the successor plan do not meet the contract issuers' underwriting criteria for issuance of a clone wrapper contract. Events that would permit a wrapper contract issuer to terminate a wrapper contract upon short notice include the Plan's loss of its qualified status, un-cured material breaches of responsibilities or material and adverse changes to the provisions of the Plan. The Company does not believe any of the events are probable of occurring in the foreseeable future.

Securities Lending

The Group Trust is authorized to engage in the lending of certain assets. Securities lending is an investment management enhancement that utilizes the existing securities of the Group Trust to earn additional income. Securities lending involves the loaning of securities to a selected group of approved banks and broker-dealers. In return for the loaned securities, the trustee, prior to or simultaneous with delivery of the loaned securities to the borrower, receives collateral in the form of cash or U.S. Government securities as a safeguard against possible default of any borrower on the return of the loan. Each loan is initially collateralized, in the case of: (a) loaned securities denominated in U.S. dollars or whose primary trading market is located in the U.S. to the extent of 102% of the market value of the loaned securities, or (b) loaned securities not denominated in U.S. dollars or whose primary trading market is not located in the U.S. to the extent of 105% of the market value of the loaned securities. The collateral is marked to market on a daily basis.

The fair value of securities on loan was \$786,644 and \$931,176 and value of collateral held was \$791,405 and \$954,949 at December 31, 2009 and 2008. The reported collateral at December 31, 2009 includes noncash holdings of \$3,454. The collateral is invested in common collective trust funds (classified as Level 2). Income earned on securities lending is used to offset administrative expenses and was \$7,180 for the year end December 31, 2009.

Investment Risk

Investments held by the Group Trust and Master Trust are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments could occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits. Plan participants' accounts that are invested in the Company stock fund option are exposed to market risk in the event of a significant decline in the value of AT&T stock.

Additionally, the Group Trust invests in securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations and commercial mortgage-backed securities, including securities backed by subprime mortgage loans. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

5. Related Party Transactions - Plan assets are invested in AT&T stock either through the Group Trust or Master Trust. Because the Company is the plan sponsor, transactions involving the Company's stock qualify as party-in-interest transactions. In addition, certain investments held by the Plan, Group Trust and Master Trust are managed by BNY Mellon and Fidelity as trustee and record keeper, respectively, as defined by

various agreements. Therefore, these transactions and fees paid to these entities qualify as parties-in-interest transactions. All of these transactions are exempt from the prohibited transactions rules.

6. Tax Status – The Plan has received a determination letter from the Commonwealth of Puerto Rico’s Department of Treasury (Treasury) dated May 31, 1995, stating that the Plan is qualified under Sections 1165(a) and 1165(e) of the Puerto Rico Internal Revenue Code of 1994 (the Puerto Rico Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Treasury, the Plan was amended and restated. Once qualified, the Plan is required to operate in conformity with the Puerto Rico Code to maintain its qualifications. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Puerto Rico Code and, therefore, believes that the Plan, as amended and restated, is qualified and the related trust is tax exempt. On December 17, 2009, a request for a new determination letter was filed with the Treasury with respect to the Plan, and that request is still pending.