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

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, 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 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

AT&T LONG TERM SAVINGS AND SECURITY PLAN
AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS AND SECURITY PLAN

Financial Statements, Supplemental Schedules and Exhibit

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Plan Administrator
of the AT&T Long Term Savings and Security Plan and AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan

We have audited each of the accompanying statements of net assets available for benefits of the AT&T Long Term Savings and Security Plan and AT&T of Puerto Rico, Inc. Long Term Savings and Security 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
(Dollars in Thousands)

	December 31, 2010		December 31, 2009	
Assets	AT&T Long Term Savings and Security Plan	AT&T of Puerto Rico, Inc. Long Term Savings and SavingsPlan	AT&T Long Term Savings and Security Plan	AT&T of Puerto Rico, Inc. Long Term Savings and Savings Plan
Investment in AT&T Savings Master Trust, at fair value (Note 4)	$1,163,153	$876	$1,120,281	$808
Receivables:				
Notes receivable from participants	31,148	75	30,540	80
Employer contribution receivable	412	1	-	-
Participant contribution receivable	895	2	-	-
Net assets reflecting investments at fair value	1,195,608	954	1,150,821	888
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(27,077)	(23)	(11,746)	(9)
Net Assets Available for Benefits	$1,168,531	$931	$1,139,075	$879

See Notes to Financial Statements.

2

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

	AT&T Long Term Savings and Security Plan	AT&T of Puerto Rico, Inc. Long Term Savings and Savings Plan
Net Assets Available for Benefits, December 31, 2009	$ 1,139,075	$ 879
Additions to Net Assets		
Contributions:		
Participant contributions	27,860	47
Employer contributions	11,578	23
Investment Income:		
Net income from investment in AT&T Savings Master Trust	91,049	57
Interest income on notes receivable from participants	1,281	4
Total Additions	131,768	131
Deductions from Net Assets		
Administrative Expenses	156	4
Distributions	102,045	75
Total Deductions	102,201	79
Net increase before transfers	29,567	52
Net transfers to affiliated plans (Note 1)	(111)	-
Net Assets Available for Benefits, December 31, 2010	$ 1,168,531	$ 931

See Notes to Financial Statements.

3

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

1. Plan Description

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 Long Term Savings and Security Plan and AT&T of Puerto Rico, Inc. Long Term Savings and Security 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 Long Term Savings and Security Plan (LTSSP) was originally established by AT&T Corp. (ATTC) to provide a convenient way for eligible non-management employees of participating ATTC companies to save on a regular and long-term basis. In November 2005, ATTC was acquired by AT&T Inc. (AT&T or the Company).

The AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan (LTSSP-PR) was originally established by AT&T of Puerto Rico, Inc., (ATTC later replaced AT&T of Puerto Rico, Inc. as the plan sponsor and administrator) to provide a convenient way for eligible non-management employees of participating ATTC companies 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.

The Plans participate in the AT&T Savings Master Trust (Master Trust) for certain participant investment fund options as described below. The Master Trust invests in the AT&T Savings Group Investment Trust (Group Trust) for the remaining participant investment fund options. The Bank of New York Mellon Corporation (BNY Mellon) serves as trustee for both the Master Trust and the Group Trust. With respect to the LTTSP-PR, BNY Mellon serves as a U.S. custodian pursuant to a custodian agreement and, effective April 30, 2010, Oriental Bank and Trust serves as local trustee for this plan. Prior to April 30, 2010, Eurobank served as local bank for this plan. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) serves as recordkeeper for the Plans.

During 2010, participants could invest their contributions in one or more of 26 funds in 10% increments for future contributions and 5% increments for fund exchanges:

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

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

Participants contribute to the Plans through payroll allotments. The Company contributes to the Plans by matching the participants' contributions based on the provisions of the Plans. 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. Subject to the fiduciary provisions of ERISA, the trustee will note vote any allocated shares for which instructions have not been given by a participant. The trustee votes any unallocated shares in the same proportion it votes as 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.

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

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, 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 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.

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 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.

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

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, (ASC820) 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.

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.

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

3. Fair Value Measurements

ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the 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 an investment in the Master Trust, and the 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 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 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.

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

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

	December 31, 2010		2009	
AT&T Long Term Savings and Security Plan	99.92	%	99.93	%
AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan	0.08	%	0.07	%
	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 Long Term Savings and Security Plan		AT&T of Puerto Rico, Inc. Long Term Savings and Savings Plan	
AT&T Shares Fund	99.961	%	0.039	%
Vanguard Windsor II Admin	99.973	%	0.027	%
Vanguard US Growth Admin	99.987	%	0.013	%
T Rowe Price Small Cap Stock	99.991	%	0.009	%
T Rowe Price Mid Cap Growth	99.995	%	0.005	%
Capital World Growth and Income	99.960	%	0.040	%
Morgan Stanley International Equity	99.789	%	0.211	%
Legg Mason Value Trust Inst	99.953	%	0.047	%
Asset Allocation Strategy Growth	99.994	%	0.006	%
Asset Allocation Strategy Balanced	100.000	%	-	
Asset Allocation Strategy Income	100.000	%	-	
US Bond Market Index	99.770	%	0.230	%
S&P 500 Index Fund	99.950	%	0.050	%
Total US Stock Market Index	100.000	%	-	
Extended US Stock Market Index	100.000	%	-	
International Stock Market Index	99.942	%	0.058	%
Fidelity Magellan	99.736	%	0.264	%
Fidelity Equity Income	99.994	%	0.006	%
Fidelity Low Price Stock	99.872	%	0.128	%
Fidelity Diversified International	99.888	%	0.112	%
Fidelity Dividend Growth	99.947	%	0.053	%
Fidelity High Income	100.000	%	-	

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

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

	December 31, 2009	
	AT&T Long Term Savings and Security Plan	AT&T of Puerto Rico, Inc. Long Term Savings and Savings Plan
AT&T Shares Fund	99.965 %	0.035 %
Vanguard Windsor II Admin	99.974 %	0.026 %
Vanguard US Growth Admin	99.988 %	0.012 %
T Rowe Price Small Cap Stock	99.991 %	0.009 %
T Rowe Price Mid Cap Growth	99.995 %	0.005 %
Capital World Growth and Income	99.964 %	0.036 %
Morgan Stanley International Equity	99.805 %	0.195 %
Legg Mason Value Trust Inst	99.959 %	0.041 %
Asset Allocation Strategy Growth	99.995 %	0.005 %
Asset Allocation Strategy Balanced	100.000 %	-
Asset Allocation Strategy Income	100.000 %	-
US Bond Market Index	99.759 %	0.241 %
S&P 500 Index Fund	99.975 %	0.025 %
Total US Stock Market Index	100.000 %	-
Extended US Stock Market Index	100.000 %	-
International Stock Market Index	99.945 %	0.055 %
Fidelity Magellan	99.759 %	0.241 %
Fidelity Equity Income	99.994 %	0.006 %
Fidelity Low Price Stock	99.883 %	0.117 %
Fidelity Diversified International	99.912 %	0.088 %
Fidelity Dividend Growth	99.946 %	0.054 %
Fidelity High Income	99.964 %	0.036 %

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

	2010	2009
Short term investments	$ 2,815	$ 3,143
AT&T common stock	76,475	73,177
Registered investment companies	299,975	268,364
Common/collective trust funds	83,050	75,904
Investment in AT&T Group Investment Trust (at fair value)	704,615	700,528
Master trust investments at fair value	1,166,930	1,121,116
Net other assets and liabilities	(2,901)	(27)
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(27,100)	(11,755)
Net assets	$ 1,136,929	$ 1,109,334

9

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

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