

AT&T INC.
Form 11-K
June 22, 2012

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 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 OF PUERTO RICO, INC. LONG TERM SAVINGS AND SECURITY 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 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, 2011 and 2010, and the related statement of changes in net assets available for benefits for each of the Plans for the year ended December 31, 2011. 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, 2011 and 2010, and the changes in their net assets available for benefits for the year ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted 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, 2011, 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. Such information is the responsibility of the Plans' management. The information has 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 22, 2012

/s/ Ernst & Young LLP

Statements of Net Assets Available For Benefits
(Dollars in Thousands)

	December 31, 2011		December 31, 2010	
	AT&T Long Term Savings and Security Plan	AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan	AT&T Long Term Savings and Security Plan	AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan
Assets				
Investment in AT&T Savings Master Trust, at fair value (Note 4)	\$ 1,114,139	\$ 912	\$ 1,163,153	\$ 876
Receivables:				
Notes receivable from participants	30,588	40	31,148	75
Employer contribution receivable	398	1	412	1
Participant contribution receivable	878	1	895	2
Net assets reflecting investments at fair value	1,146,003	954	1,195,608	954
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(31,575)	(28)	(27,077)	(23)
Net Assets Available for Benefits	\$ 1,114,428	\$ 926	\$ 1,168,531	\$ 931

See Notes to Financial Statements.

Statements of Changes in Net Assets Available For Benefits
For the Year Ended December 31, 2011
(Dollars in Thousands)

	AT&T Long Term Savings and Security Plan	AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan
Net Assets Available for Benefits, December 31, 2010	\$1,168,531	\$931
Additions to Net Assets		
Contributions:		
Participant contributions	25,900	37
Employer contributions	10,716	17
Investment Income:		
Net income from investment in AT&T Savings Master Trust	14,557	3
Interest income on notes receivable from participants	1,044	3
Total Additions	52,217	60
Deductions from Net Assets		
Administrative Expenses	145	-
Distributions	106,286	65
Total Deductions	106,431	65
Net decrease before transfers	(54,214)	(5)
Transfer from affiliated plan (Note 1)	111	-
Net Assets Available for Benefits, December 31, 2011	\$1,114,428	\$926

See Notes to Financial Statements.

Notes to Financial Statements
(Dollars in Thousands)

NOTE 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.

In 2011, participant account balances of approximately \$111 were transferred from the AT&T Retirement Savings Plan into the LTSSP.

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 trustee for this plan. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) serves as recordkeeper for the Plans.

During 2011, 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. Equity Fund*
- AT&T International Equity Fund*
- AT&T Stable Value Fund*
- Vanguard Windsor II Fund**
- Vanguard U.S. Growth Fund**
- T Rowe Price Small-Cap Stock**
- U.S. Bond Market Index Fund**
- S&P 500 Index Fund**
- Fidelity Magellan Fund**
- Fidelity Equity-Income Fund**
- T Rowe Price Mid-Cap Growth Fund**
- American Funds Capital World Growth and Income Fund**
- Morgan Stanley Institutional Fund, Inc. International Equity Portfolio**
- Legg Mason Capital Management Value Trust, Inc.**
- Asset Allocation Strategy: Growth**
- Asset Allocation Strategy: Balanced**
- Asset Allocation Strategy: Income**
- Total U.S. Stock Market Index Fund**
- Extended U.S. Stock Market Index Fund**
- International Stock Market Index Fund**
- Fidelity Dividend Growth Fund**

- Fidelity Low-Priced Stock Fund**
- Fidelity High Income Fund**
- Fidelity Diversified International Fund**
- AT&T Stock 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.

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

Each participant is entitled to exercise voting rights attributable to the AT&T shares allocated to their account and is notified by the Company prior to the time that such rights may be exercised. Subject to the fiduciary provisions of ERISA, the trustee will not vote any allocated shares for which instructions have not been given by a participant. The trustee votes any unallocated shares in the same proportion 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.

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.

NOTE 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 (OTC) and government obligations are valued at the bid price or the average of the bid and asked price on the last business day of the year from published sources where available and, if not available, from other sources considered reliable. Depending on the types and contractual terms of OTC derivatives, fair value is measured using valuation techniques such as Black-Scholes option price models, simulation models, or a combination of various models.

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

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined

contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the 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 corporate bonds and notes, registered investment companies and government securities and are also valued as described above. The fair value of the wrap 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 reflected as of the trade date. Dividend income is recognized on the ex-dividend date. Interest earned on investments is recognized on the accrual basis.

Notes Receivable from Participants Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued, but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2011 or 2010. 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

Improving Disclosures about Fair Value Measurements In January 2010, the 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*, (ASC 820) to clarify certain existing fair value disclosures and require a number of additional disclosures. The requirement to present changes in Level 3 measurements on a gross basis is effective for reporting periods beginning after December 15, 2010. Since ASU 2010-06 only affects fair value measurement disclosures, adoption of ASU 2010-06 did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS 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, *Fair Value Measurements*, to converge the fair value measurement guidance in US generally accepted accounting principles (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, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan's financial statements.

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

NOTE 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.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described in Note 2 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Plan management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2011 and 2010.

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

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

NOTE 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, 2011 and 2010 and for the year ended December 31, 2011.

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 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 Master Trust are listed below

	December 31,			
	2011		2010	
AT&T Long Term Savings and Security Plan	99.92	%	99.92	%
AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan	0.08	%	0.08	%
	100.00	%	100.00	%

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

The Plans' percentage interest in each of the investment fund options within the Master Trust at December 31, 2011 is disclosed below:

	December 31, 2011			
	AT&T Long Term Savings and Security Plan		AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan	
AT&T Stock Fund	99.956	%	0.044	%
Vanguard Windsor II Fund	100.000	%	-	
Vanguard U.S. Growth Fund	99.987	%	0.013	%
T Rowe Price Small-Cap Stock	99.981	%	0.019	%
T Rowe Price Mid-Cap Growth Fund	99.981	%	0.019	%
American Funds Capital World Growth and Income Fund	99.954	%	0.046	%
Morgan Stanley Institutional Fund, Inc. International Equity Portfolio	100.000	%	-	
Legg Mason Capital Management Value Trust, Inc.	99.997	%	0.003	%
Asset Allocation Strategy: Growth	99.994	%	0.006	%
Asset Allocation Strategy: Balanced	100.000	%	-	
Asset Allocation Strategy: Income	99.821	%	0.179	%
U.S. Bond Market Index Fund	99.780	%	0.220	%
S&P 500 Index Fund	99.925	%	0.075	%
Total U.S. Stock Market Index Fund	100.000	%	-	
Extended U.S. Stock Market Index Fund	100.000	%	-	
International Stock Market Index Fund	99.930	%	0.070	%
Fidelity Magellan Fund	99.717	%	0.283	%
Fidelity Equity-Income Fund	99.993	%	0.007	%
Fidelity Low-Price Stock Fund	99.853	%	0.147	%
Fidelity Diversified International Fund	99.883	%	0.117	%
Fidelity Dividend Growth Fund	99.943	%	0.057	%
Fidelity High Income Fund	99.964	%	0.036	%

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

The Plans' percentage interest in each of the investment fund options within the Master Trust at December 31, 2010 is disclosed below:

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

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

	2011	2010
Short term investments	\$3,068	\$2,815
AT&T common stock	78,603	76,475
Registered investment companies	264,210	299,975
Common/collective trust funds	82,920	83,050
Investment in Group Trust (at fair value)	688,725	704,615
Master trust investments at fair value	1,117,526	1,166,930
Net other assets and liabilities	(2,475)	(2,901)
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(31,603)	(27,100)
Net assets	\$1,083,448	\$1,136,929

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

Net Appreciation (Depreciation) in Fair Value of Master Trust Investments and Total Investment Income for the year ended December 31, 2011:

	2011
Short term investments	\$ 12
AT&T common stock	2,302
Registered investment companies	(19,706)
Common/collective trust funds	1,729
Investments in Group Trust	17,709
Total net appreciation in fair value of Master Trust Investments	\$ 2,046
Investment income:	
Interest	\$ -
Dividends	12,514
Total investment income	\$ 12,514

The following tables set forth by level, within the fair value hierarchy, the Master Trust's assets at fair value as of December 31, 2011, excluding the investment in the Group Trust which is disclosed below.

	Master Trust Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
US Equity Securities:				
AT&T common stock	\$78,603	\$-	\$-	\$78,603
Total US Stock Index Fund1	-	6,089	-	6,089
S&P 500 Index Fund2	-	12,970	-	12,970
Extended US Stock Index Fund3	-	5,874	-	5,874
Registered investment companies – Large Cap	146,354	-	-	146,354
Registered investment companies – Mid Cap	75,520	-	-	75,520
Registered investment companies – Small Cap	26,011	-	-	26,011
Registered investment companies – High Yield Bond	16,325	-	-	16,325
International Equity Securities:				
International Stock Index Fund4	-	3,093	-	3,093
US Fixed Income Securities:				
US Bond Market Index Fund5	-	21,325	-	21,325
Asset Allocation (AA) Funds:				
AA Strategy Balanced6	-	13,301	-	13,301
AA Strategy Growth7	-	14,243	-	14,243
AA Strategy Income8	-	6,025	-	6,025
Short term investments	3,068	-	-	3,068
Total assets at fair value	\$345,881	\$82,920	\$-	\$428,801

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

The following tables set forth by level, within the fair value hierarchy, the Master Trust's assets at fair value as of December 31, 2010, excluding the investment in the Group Trust which is disclosed below.

	Master Trust Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
US Equity Securities:				
AT&T common stock	\$76,475	\$-	\$-	\$76,475
Total US Stock Index Fund ¹	-	6,294	-	6,294
S&P 500 Index Fund ²	-	12,654	-	12,654
Extended US Stock Index Fund ³	-	5,959	-	5,959
Registered investment companies – Large Cap	173,415	-	-	173,415
Registered investment companies – Mid Cap	83,302	-	-	83,302
Registered investment companies – Small Cap	26,463	-	-	26,463
Registered investment companies – High Yield Bond	16,795	-	-	16,795
International Equity Securities:				
International Stock Index Fund ⁴	-	4,345	-	4,345
US Fixed Income Securities:				
US Bond Market Index Fund ⁵	-	19,596	-	19,596
Asset Allocation (AA) Funds:				
AA Strategy Balanced ⁶	-	13,707	-	13,707
AA Strategy Growth ⁷	-	14,667	-	14,667
AA Strategy Income ⁸	-	5,828	-	5,828
Short term investments	2,815	-	-	2,815
Total assets at fair value	\$379,265	\$83,050	\$-	\$462,315

1 This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Dow Jones Wilshire 5000 Index. This common/collective trust fund has 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.

2 This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Standard and Poor's Composite Stock Price Index of 500 stocks (the "S&P 500®"). This common/collective trust fund has 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.

3 This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Dow Jones Wilshire 4500 Index. This common/collective trust fund has 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.

4 This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Index. This common/collective trust fund has 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.

5 This 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 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.

6 This 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 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.

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

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

8 This 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 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.

AT&T Savings Group Investment Trust Investments

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

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

	December 31,			
	2011		2010	
AT&T Savings Plan Master Trust (AT&T Master Trust)	86.7	%	86.6	%
AT&T Savings Master Trust (Master Trust)	6.1	%	6.3	%
BellSouth Savings and Security Plan	7.2	%	7.1	%
Total	100.0	%	100.0	%

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

The Master Trust's percentage interest in each of the investment fund options within the Group Trust is disclosed below as of December 31, 2011.

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T International Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	\$ -	\$ -	\$ 2,824	\$ -	\$ 2,824
Common/collective trust funds	-	420,247	166,567	-	586,814
103-12 investment entities	-	-	102,904	-	102,904
Equities - common stock	-	1,535,614	151,924	-	1,687,538
Equities - preferred stock	-	-	2,179	-	2,179
Publicly traded partnerships	-	4,378	-	-	4,378
Registered investment companies	1,405,006	43,068	1,956	547	1,450,577
Investment contracts (at fair value):					
Guaranteed investment contracts	-	-	-	6,222	6,222
Synthetic GICs:					
Interest bearing cash	-	-	-	58	58
Corporate and other bonds and notes	-	-	-	2,641,392	2,641,392
Registered investment companies	-	-	-	819,425	819,425
Futures	-	-	-	(383)	(383)
Government securities	-	-	-	4,019,599	4,019,599
Wrapper contracts	-	-	-	2,252	2,252
Group Trust investments at fair value	1,405,006	2,003,307	428,354	7,489,112	11,325,779
Unsettled trades and other	3,942	(2,022)	793	(175,832)	(173,119)
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	-	-	-	(383,199)	(383,199)
Group Trust net assets	\$ 1,408,948	\$ 2,001,285	\$ 429,147	\$ 6,930,081	\$ 10,769,461
Master Trust's percentage ownership interest of investments	1.3%	3.0%	1.8%	8.2%	6.1%

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

The 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 International 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 - common stock	-	1,378,536	271,343	-	1,649,879
Equities - preferred stock	-	-	4,237	-	4,237
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 benefit-responsive investment contracts	-	-	-	(311,368)	(311,368)
Obligation to return collateral on	-	(71)	-	-	(71)

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loaned securities					
Group Trust net assets	\$ 1,332,224	\$ 2,233,798	\$ 549,184	\$ 6,673,133	\$ 10,788,339
Master Trust's percentage ownership interest of investments	1.5%	3.0%	1.9%	8.7%	6.3%

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, 2011

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T International Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	\$ -	\$ -	\$ (9,624)	\$ -	\$ (9,624)
Common/collective trust funds	-	(57,223)	(37,204)	-	(94,427)
103-12 investment entities	-	-	(9,893)	-	(9,893)
Equities	-	1,555	(23,887)	-	(22,332)
Publicly traded partnerships	-	558	-	-	558
Registered investment companies	18,568	(1)	-	-	18,567
Total net appreciation/ (depreciation) in fair value of Group Trust Investments	\$ 18,568	\$ (55,111)	\$ (80,608)	\$ -	\$ (117,151)
Investment income:					
Interest	\$ -	\$ 59	\$ 2,235	\$ 224,474	\$ 226,768
Dividends	50,496	20,255	6,199	-	76,950
Securities lending	-	-	-	2	2
Total investment income of Group Trust Investments	\$ 50,496	\$ 20,314	\$ 8,434	\$ 224,476	\$ 303,720

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, 2011:

Group Trust Assets and Liabilities at Fair Value				
December 31, 2011				
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 2,824	\$ -	\$ -	\$ 2,824
U.S. equity securities:				
U.S. common stock:				
Large cap	894,512	-	-	894,512
Small cap	480,383	-	-	480,383
Common stock – registered investment companies				