

AT&T INC.  
Form 11-K  
October 02, 2009

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, 2008

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 PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO  
RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT  
EMPLOYEES)

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

This amendment is being filed due to a re-audit of the plan's statement of net assets available for benefits as of December 31, 2007. The plan's current auditor performed the re-audit because the audit firm which performed the 2007 audit ceased operations and could not provide an updated opinion.

The re-audit resulted in no changes to the plan's statement of net assets available for benefits and related statement of changes in net assets available for benefits.

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Financial Statements, Supplemental Schedule and Exhibit

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Plan Administrator of the  
AT&T Puerto Rico Savings Plan (formerly AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees)

We have audited the accompanying statement of net assets available for benefits of AT&T Puerto Rico Savings Plan (formerly AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees) as of December 31, 2008 and 2007, and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. 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 audit.

We conducted our audit 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 audit 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 audit provides 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, 2008 and 2007, and the changes in its net assets available for benefits for the year ended December 31, 2008, in conformity with US generally accepted accounting principles.

Our audit was 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, 2008, 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 audit 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  
September 4, 2009



AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
(Dollars in Thousands)

|  | December 31, |          |
|--|--------------|----------|
|  | 2008         | 2007     |
| <b>ASSETS</b>  |              |          |
| Investments, at fair value:  |              |          |
| Investment in AT&T Savings Master Trust  | \$ -         | \$ 5,058 |
| Investment in AT&T Savings Plan Master Trust   | 3,547        | -        |
| Participant loans  | 677          | 76       |
| Receivable from AT&T Puerto Rico Retirement Savings Plans<br>(formerly Cingular Wireless Savings Plan for Puerto Rico) | 8,073        | -        |
| Net assets reflecting investments at fair value  | 12,297       | 5,134    |
| Adjustment from fair value to contract value for fully benefit-<br>responsive investment contracts                     | 22           | 6        |
| Net Assets Available for Benefits  | \$ 12,319    | \$ 5,140 |

See Notes to Financial Statements.

AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Dollars in Thousands)

|  |           |
|--|-----------|
| Net Assets Available for Benefits, December 31, 2007   | \$ 5,140  |
| Additions to Net Assets:   |           |
| Contributions:   |           |
| Participant contributions  | 63        |
| Employer contributions   | 42        |
|  | 105       |
| Investment Income (Loss):  |           |
| Net loss from investment in AT&T Savings Master Trust  | (218)     |
| Net loss from investment in AT&T Savings Plan Master Trust   | (619)     |
| Dividends  | 67        |
| Interest from Participant Loans  | 5         |
|  | (765)     |
| Total Additions, net of investment loss  | (660)     |
| Deductions from Net Assets:  |           |
| Distributions  | 233       |
| Administrative fees  | 1         |
| Total Deductions   | 234       |
| Net decrease before transfers  | (894)     |
| Transfer from AT&T Puerto Rico Retirement Savings Plan,<br>(formerly Cingular Wireless Savings Plan for Puerto Rico ) (See Note 1) | 8,073     |
| Net Assets Available for Benefits, December 31, 2008   | \$ 12,319 |

See Notes to Financial Statements.

AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
NOTES TO FINANCIAL STATEMENTS  
(Dollars in Thousands)

1. Plan Description – The AT&T Puerto Rico Savings Plan (formerly AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees) (Plan) is a defined contribution plan established by AT&T Corp. (ATTC) to provide a convenient way for eligible management employees of participating ATTC companies to save on a regular and long-term basis. Eurobank serves as local trustee under Puerto Rican law. 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 documents 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). Effective May 1, 2008 the Plan was restated as the AT&T Puerto Rico Savings Plan. Eligible participants are described in the summary plan description.

On November 18, 2005, ATTC was acquired by AT&T Inc. (AT&T or the Company). As a result of the acquisition, the AT&T Corp. common stock held in the AT&T Stock Fund was converted to AT&T common stock based on a conversion ratio.

Effective December 31, 2008, participant account balances and assets of non-bargained employees in the AT&T Puerto Rico Retirement Savings Plan (formerly the Cingular Wireless Savings Plans for Puerto Rico) were transferred to the Plan.

Prior to May 1, 2008 the Plan participated in the AT&T Savings Master Trust (ATTC Master Trust) for the investment of the pooled assets of various funds. In October 2007, AT&T established the AT&T Group Investment Trust (Group Trust) to manage assets of pooled investment options among various AT&T sponsored employee benefit plans. The ATTC Master Trust began participating in the Group Trust on October 1, 2007. On May 1, 2008, the Plan assets invested in the ATTC Master Trust were transferred to a newly created master trust, the AT&T Savings Plan Master Trust (AT&T SP Master Trust). Also on May 1, 2008, the Plan changed from having an indirect ownership in the Group Trust (through its participation in the ATTC Master Trust) to an indirect ownership in the Group Trust (through its participation in the AT&T SP Master Trust) with regards to certain investment options. The trustee of the ATTC Master Trust, Group Trust and AT&T SP Master Trust is Bank of New York Mellon (BNY Mellon). (See Note 6)

As of December 31, 2007, participants could invest their contributions in one or more of the following funds in 1% increments:

|                                   |  |   |
|-----------------------------------|--|---|
| · AT&T Total Return Bond Fund*    | · Fidelity Magellan**                  | · T Rowe Price Mid Cap Growth**         |
| · AT&T US Equity Fund*            | · Fidelity Equity Income**             | · Capital World Growth and Income**     |
| · AT&T International Equity Fund* | · Fidelity Low Price Stock**           | · Morgan Stanley International Equity** |
| · AT&T Stable Value Fund*         | · Fidelity Diversified International** | · Legg Mason Value Trust**              |
| · Vanguard Windsor II Admin**     | · Fidelity High Income**               | · Asset All Strategy Growth**           |



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- Vanguard US Growth Admin\*\*
- T Rowe Price Small Cap Stock\*\*
- US Bond Market Index\*\*
- S&P 500 Index Fund\*\*
- Fidelity Dividend Growth\*\*
- Extended US Stock Market\*\*
- International Stock Market Index\*\*
- AT&T Stock Fund\*\*
- Asset All Strategy Balanced\*\*
- Asset All Strategy Income\*\*
- Total US Stock Market Index\*\*

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AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
NOTES TO FINANCIAL STATEMENTS - continued  
(Dollars in Thousands)

On May 1, 2008, the Plan investment options changed to:

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

\* Fund option became an indirect investment fund option of the Group Trust effective October 1, 2007.

\*\*Fund option was an investment fund option of the ATTC Master Trust through May 1, 2008.

\*\*\* Fund option became an investment fund option of the AT&T Master Trust effective May 1, 2008.

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. Effective January 1, 2007, Company matching contributions are made solely in the form of shares of AT&T's common stock held in an Employee Stock Ownership Plan (ESOP) which is a separate investment account of this Plan. Vested Company contributions made to the Plan that are invested in the ESOP can be immediately diversified into any of the fund options above.

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 provisions of ERISA, the account balances of all participants shall be 100% vested.

AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
NOTES TO FINANCIAL STATEMENTS - continued  
(Dollars in Thousands)

Accounting Policies – The accompanying financial statements were prepared in conformity with U.S. generally accepted accounting principles, 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. Benefits are recorded when paid.

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 5 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. Cash and temporary assets are stated at fair value. The guaranteed investment contracts (GICs) and the Synthetic GICs hold asset backed securities.

Common/collective trust funds are valued at quoted redemption values that represent the net asset values of units held at year-end which management has determined approximates fair value. 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 valued at cost, which approximates fair value.

As required by Financial Accounting Standards Board Staff Position AAG INV-1 and SOP 94-4-1, “Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans” (the FSP), 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). As required by the FSP, the fair value of the GICs is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations. The underlying investments of the Synthetic GICs are valued at quoted redemption values on the last business day of the Plan’s year-end. The fair value of the wrap 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 recorded on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned.

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.

AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
NOTES TO FINANCIAL STATEMENTS - continued  
(Dollars in Thousands)

4. Plan Expenses – All expenses incident to the administration of the Plan will be paid from the Plan, Group Trust or AT&T Master Trust (ATTC Master Trust prior to May 1, 2008) 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 AT&T Master Trust (ATTC Master Trust prior to May 1, 2008), 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). In 2008, AT&T amended the Plan to charge certain fees directly to the account of the participant incurring the expense, instead of being charged to the Plan.

Fair Value Measurements – In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FASB Statement No. 157). FASB Statement No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FASB Statement No. 157 are effective for fiscal years beginning after November 15, 2007. The Plan adopted this standard as of January 1, 2008 and the impact of the adoption was not significant.

The FASB Statement No. 157 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 under FAS Statement No. 157 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:

- 2 · 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 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 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 the Plan 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, 2008 and 2007.

The only investment held by the Plan (outside of all master and group trusts) is participant loans, and is classified as a Level 3 investment in the fair value hierarchy at December 31, 2008. There are no realized or unrealized gains or losses on participant loans. The change from the December 31, 2007 balance of \$76 consists solely of net issuances and settlements. See Note 6 for fair value hierarchy for the ATTC Master Trust's, Group Trust's, and AT&T Master Trust's investments.

AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
NOTES TO FINANCIAL STATEMENTS - continued  
(Dollars in Thousands)

6. Investments –During 2008 the Plan held investments in the ATTC Master Trust through May 1, 2008, and the AT&T SP Master Trust (for certain investment fund options as disclosed in Note 1) from May 1, 2008 to December 31, 2008. The remaining fund options were held in the Group Trust and owned by the Plan through participation in the ATTC Master Trust from January 1, 2008 to April 30, 2008 and the AT&T SP Master Trust from May 1, 2008 to December 31, 2008.

AT&T Savings Master Trust Investments

The AT&T Savings Master Trust (ATTC 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 ATTC Master Trust is based on account balances of the participants and their elected investment fund options. The ATTC 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 ATTC Master Trust. Due to the change in investment fund options described in Note 1 on May 1, 2008, the Plan did not hold any investments in the ATTC Master Trust at December 31, 2008.

Investment income and administrative expenses related to the ATTC 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 entities and ownership percentages of the ATTC Master Trust are listed below:

December 31, 2008

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

December 31, 2007

|  |        |
|--|--------|
| AT&T Long Term Savings and Security Plan   | 14.96% |
| AT&T Long Term Savings Plan for Management Employees   | 84.05% |
| AT&T Retirement Savings and Profit Sharing Plan  | 0.92%  |
| AT&T of Puerto Rico, Inc. Long Term Savings and Security Plan  | 0.01%  |
| AT&T Puerto Rico Savings Plan (formerly the AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees) | 0.06%  |
|  | 100.0% |





AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
NOTES TO FINANCIAL STATEMENTS - continued  
(Dollars in Thousands)

The Plan's percentage interest in each of the investment fund options within the ATTC Master Trust is disclosed below for December 31, 2007.

|                     |        |
|---------------------|--------|
| AT&T Stock Fund     | 0.108% |
| Vanguard Windsor    |        |
| II Admin            | 0.025% |
| Vanguard US         |        |
| Growth Admin        | 0.005% |
| T Rowe Price        |        |
| Small Cap Stock     | 0.063% |
| T Rowe Price Mid    |        |
| Cap Growth          | 0.007% |
| Capital World       |        |
| Growth and          |        |
| Income              | 0.089% |
| Morgan Stanley      |        |
| International       |        |
| Equity              | 0.005% |
| Legg Mason Value    |        |
| Trust               | 0.050% |
| Asset All Strategy  |        |
| Growth              | 0.021% |
| Asset All Strategy  |        |
| Balanced            | 0.000% |
| Asset All Strategy  |        |
| Income              | 0.002% |
| US Bond Market      |        |
| Index               | 0.004% |
| S&P 500 Index       |        |
| Fund                | 0.004% |
| Total US Stock      |        |
| Market Index        | 0.000% |
| Extended US         |        |
| Stock Market        | 0.118% |
| International Stock |        |
| Market Index        | 0.001% |
| Fidelity Magellan   | 0.024% |
| Fidelity Equity     |        |
| Income              | 0.044% |
| Fidelity Low Price  |        |
| Stock               | 0.075% |
|                     | 0.042% |

|                   |        |
|-------------------|--------|
| Fidelity          |        |
| Diversified       |        |
| International     |        |
| Fidelity Dividend |        |
| Growth            | 0.018% |
| Fidelity High     |        |
| Income            | 0.035% |

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

|  | 2008         | 2007         |
|--|--------------|--------------|
| Interest bearing cash  | \$ 2,828     | \$ 10,854    |
| Common stocks  | 74,657       | 1,249,715    |
| Registered investment companies  | 195,205      | 3,305,791    |
| Common/collective trust funds  | 65,606       | 322,601      |
| Investment in AT&T Group Investment Trust (at fair value)                                      | 679,998      | 3,957,831    |
| ATTC Master trust investments at fair value  | 1,018,294    | 8,846,792    |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | 9,269        | 5,823        |
|  | \$ 1,027,563 | \$ 8,852,615 |

AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
NOTES TO FINANCIAL STATEMENTS - continued  
(Dollars in Thousands)

Net Depreciation in Fair Value of ATTC Master Trust Investments and Total Investment Income for the period from January 1, 2008 to May 1, 2008

|  | 2008         |
|--|--------------|
| Common stocks  | (71,122)     |
| Registered investment companies                                  | (181,365)    |
| Common/collective trust funds                                    | 4,031        |
| Investment in Group Trust  | (65,221)     |
| Total net depreciation in fair value of Master Trust Investments | \$ (313,677) |
| <b>Investment income:</b>  |              |
| Interest   | \$ 43,171    |
| Dividends  | 21,329       |
| Total investment income  | \$ 64,500    |

The following table sets forth by level, within the fair value hierarchy, the ATTC Master Trust's assets at fair value as of December 31, 2008, excluding the investment in the Group Trust which is disclosed below.

|                                 | ATTC Master Trust Assets at Fair Value as of December 31,<br>2008 |           |         |            |
|---------------------------------|---|-----------|---------|------------|
|                                 | Level 1   | Level 2   | Level 3 | Total      |
| Interest bearing cash           | \$ 2,828  | \$ -      | \$ -    | \$ 2,828   |
| Common stocks                   | 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 Plan Master Trust Investments

In March 2008, AT&T established the AT&T Savings Plan Master Trust (AT&T SP Master Trust) to manage assets of pooled investment options among various AT&T sponsored plans. The Plan began participating in the AT&T SP Master Trust on May 1, 2008. Certain underlying assets of participant fund options available to participants prior to May 1, 2008 that were held in the ATTC Master Trust became assets of the AT&T Master Trust.

Each participating plan's interest in the investment fund options (i.e., separate accounts) of the AT&T SP Master Trust is based on account balances of the participants and their elected investment fund options. The AT&T SP 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 AT&T SP Master Trust.

Investment income and administrative expenses related to the AT&T SP Master Trust are allocated to the individual plans on a daily basis based on each participant's account balance within each investment fund option.

AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
NOTES TO FINANCIAL STATEMENTS - continued  
(Dollars in Thousands)

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

December 31, 2008

|  |        |
|--|--------|
| AT&T Savings Plan  | 99.13% |
| AT&T Retirement Savings Plan   | 0.84%  |
| AT&T Puerto Rico Savings Plan (formerly AT&T of Puerto Rico, Inc. Long Term Savings Plan for Management Employees) | 0.03%  |
| Total  | 100.0% |

The Plan's percentage interest in each of the investment fund options within the AT&T SP Master Trust at December 31, 2008 is disclosed below.

|  | 2008   |
|--|--------|
| International Stock Index Fund           | 0.010% |
| Small and Mid-Sized U.S Stock Index Fund | 0.008% |
| AT&T Age-Based Asset Allocation Funds    |        |
| AT&T Age Based 2015                      | 0.002% |
| AT&T Age Based 2020                      | 0.004% |
| AT&T Age Based 2025                      | 0.030% |
| AT&T Shares Fund                         | 0.013% |

The financial position of the AT&T SP Master Trust at December 31, 2008 is as follows:

Type of AT&T SP Master Trust Investment

|  | 2008       |
|--|------------|
| Interest bearing cash  | \$ 11,155  |
| Common stocks  | 3,395,900  |
| Common/collective trust funds  | 4,259,005  |
| Investment in Group Trust  | 7,658,152  |
| AT&T Master Trust investments, at fair value   | 15,324,212 |
| Net other assets and liabilities   | (4,534)    |
| Adjustment from fair value to contract value for fully benefit responsive investment contracts | 74,669     |
| Net assets available for benefits  | 15,394,347 |



AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)  
NOTES TO FINANCIAL STATEMENTS - continued  
(Dollars in Thousands)

Net Appreciation (Depreciation) in Fair Value of AT&T SP Master Trust Investments and Total Investment Income for the period from March 1, 2008 to December 31, 2008

|  | 2008           |
|--|----------------|
| Interest bearing cash  | \$ 38          |
| Common stocks  | (99,829)       |
| Common/collective trust funds                                    | (2,199,425)    |
| Investment in Group Trust  | (1,256,285)    |
| Total net depreciation in fair value of Master Trust Investments | \$ (3,555,501) |
| <b>Investment income:</b>  |                |
| Interest   | \$ 25          |
| Dividends  | 129,545        |
| Total investment income  | \$ 129,570     |

The Plan participated in the AT&T SP Master Trust for the period from May 1, 2008 to December 31, 2008. Net depreciation in fair value of the AT&T SP Master Trust was \$(4,349,379) and investment income was \$230,857 for the period from May 1, 2008 to December 31, 2008.

The following table sets forth by level, within the fair value hierarchy, the AT&T SP Master Trust's assets at fair value as of December 31, 2008, excluding the investment in the Group Trust which is disclosed below.

| AT&T SP Master Trust Assets at Fair Value as<br>of December 31, 2008 |              |              |         |              |  |
|--|--------------|--------------|---------|--------------|--|
|  | Level 1      | Level 2      | Level 3 | Total        |  |
| Interest bearing cash  | \$ 11,155    | \$ -         | \$ -    | \$ 11,155    |  |
| Common stocks  | 3,395,900    | -            | -       | 3,395,900    |  |
| Common/collective trust funds  | -            | 4,259,005    | -       | 4,259,005    |  |
| Total assets at fair value   | \$ 3,407,055 | \$ 4,259,005 | \$ -    | \$ 7,666,060 |  |

#### AT&T Group Investment Trust Investments

In October 2007, AT&T established the AT&T Group Investment Trust (Group Trust) to manage assets of pooled investment options between the ATTC Master Trust and the AT&T Savings Plan. During 2007, the trust funding the AT&T Savings Plan became a master trust when other AT&T sponsored employee benefit plans transferred its assets into that trust. Effective March 1, 2008, the AT&T Master Trust was created and became a participating entity in the Group Trust. 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. Due to the change in investment fund options described in Note 1 on May 1, 2008, the Plan went from having an indirect ownership of the Group Trust (through participation in the ATTC Master Trust) to an indirect ownership in the Group Trust (through participation in the AT&T Master Trust).



AT&T PUERTO RICO SAVINGS PLAN  
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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:

December 31, 2008

|                                     |        |
|-------------------------------------|--------|
| AT&T Savings Plan Master Trust      | 83.4%  |
| AT&T Savings Master Trust           | 7.4%   |
| BellSouth Savings and Security Plan | 9.2%   |
| Total                               | 100.0% |

December 31, 2007

|                           |        |
|---------------------------|--------|
| AT&T Savings Plan         | 26.9%  |
| AT&T Savings Master Trust | 73.1%  |
| Total                     | 100.0% |

The AT&T SP Master Trust's percentage interest in each of the investment fund options within the Group Trust is disclosed below.

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| December 31, 2008  | AT&T<br>Total<br>Return<br>Bond<br>Fund | AT&T U.S.<br>Equity Fund | AT&T<br>Inter-national<br>Equity Fund | AT&T<br>Stable Value<br>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)    |
| Wrap 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 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 Group Investment Trust investments                                       | \$ | 755,895 | 1,690,217 | 408,210 | 6,416,162 | 9,270,484 |
| AT&T Savings Plan Master Trust's percentage ownership interest of investments |    | 98.2%   | 96.9%     | 97.9%   | 77.2%     | 83.4%     |

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

| December 31, 2007                             | AT&T<br>Total<br>Return<br>Bond<br>Fund | U.S. Equity | AT&T<br>Equity Fund | Inter-national<br>Equity Fund | AT&T<br>Equity Fund | AT&T<br>Stable<br>Value<br>Fund | Group Trust |
|---|---|-------------|---------------------|-------------------------------|---------------------|---------------------------------|-------------|
| Interest bearing cash \$                      | -                                       | \$          | 12,771              | \$                            | 4,289               | \$ -                            | \$ 17,060   |
| Common/collective trust funds                 | -                                       |             | 353,432             |                               | 60,426              | -                               | 413,858     |
| Corporate and other bonds and notes           | -                                       |             | 445                 |                               | -                   | -                               | 445         |
| Equities                                      | -                                       |             | 504,399             |                               | 162,289             | -                               | 666,688     |
| Equities – loaned                             | -                                       |             | (33,064)            |                               | (9,098)             | -                               | (42,162)    |
| Publicly traded partnerships                  | -                                       |             | 2,622               |                               | -                   | -                               | 2,622       |
| Registered investment companies               | 378,875                                 |             | 76,596              |                               | 1,358               | -                               | 456,829     |
| Registered investment companies – loaned      | (157,449)                               |             | -                   |                               | -                   | -                               | (157,449)   |
| Investment contracts (at fair value):         |   |             |                     |                               |                     |                                 |             |
| Guaranteed investment contracts               | -                                       |             | -                   |                               | -                   | 64,698                          | 64,698      |
| Synthetic investment contracts                |   |             |                     |                               |                     |                                 |             |
| Common/collective trust funds                 | -                                       |             | -                   |                               | -                   | 48,414                          | 48,414      |
| Corporate and other bonds and notes           | -                                       |             | -                   |                               | -                   | 2,341,762                       | 2,341,762   |
| Corporate and other bonds and notes – loaned  | -                                       |             | -                   |                               | -                   | (16,828)                        | (16,828)    |
| Government securities                         | -                                       |             | -                   |                               | -                   | 1,559,752                       | 1,559,752   |
| Government securities – loaned                | -                                       |             | -                   |                               | -                   | (455,383)                       | (455,383)   |
| Investments short sold (proceeds of \$81,273) | -                                       |             | -                   |                               | -                   | (81,541)                        | (81,541)    |
| Wrap contracts                                | -                                       |             | -                   |                               | -                   | 267                             | 267         |

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|  |            |            |            |              |              |
|--|------------|------------|------------|--------------|--------------|
| Cash   | -          | -          | -          | 31,637       | 31,637       |
| Unsettled trades and other   | -          | -          | -          | (98,909)     | (98,909)     |
| Market value of securities on loan   | 157,449    | 33,064     | 9,098      | 472,211      | 671,822      |
| AT&T Group Investment Trust investments at fair value  | 378,875    | 950,265    | 228,362    | 3,866,080    | 5,423,582    |
| Unsettled trades and other   | 1,760      | 3,905      | 152        | (17,518)     | (11,701)     |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | -          | -          | -          | 8,346        | 8,346        |
| AT&T Group Investment Trust investments  | \$ 380,635 | \$ 954,170 | \$ 228,514 | \$ 3,856,908 | \$ 5,420,227 |
| S Master Trust's percentage ownership interest   | 30.4 %     | 98.9 %     | 93.4 %     | 69.8%        | 73.1%        |

Certain prior year balances have been reclassified to conform to current year presentation. Specifically, the unsettled trades and other account balance is shown below the investments at fair value as these items relate primarily to due to/due from broker receivables and payables.

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Net Appreciation (Depreciation) in Fair Value of AT&T Group Investment Trust Investments and Total Investment Income for the year ended December 31, 2008

|  | AT&T<br>Total<br>Return<br>Bond Fund | AT&T U.S.<br>Equity Fund | AT&T<br>Inter-national<br>Equity Fund | AT&T<br>Stable<br>Value<br>Fund | Group Trust    |
|--|--------------------------------------|--------------------------|---------------------------------------|---------------------------------|----------------|
| Interest bearing cash  | \$ -                                 | \$ -                     | \$ 73                                 | \$ -                            | 73             |
| Common/collective trust funds  | -                                    | (262,119)                | (69,429)                              | -                               | (331,548)      |
| Corporate and other bonds and notes  | -                                    | -                        | (7)                                   | -                               | (7)            |
| Equities   | -                                    | (785,039)                | (292,308)                             | -                               | (1,077,347)    |
| Publicly traded partnerships   | -                                    | (1,991)                  | -                                     | -                               | (1,991)        |
| Registered investment companies  | (59,157)                             | 2,002                    | -                                     | -                               | (57,155)       |
| Total net appreciation (depreciation) in fair value of Group Trust Investments | \$ (59,157)                          | \$ (1,047,147)           | \$ (361,671)                          | \$ -                            | \$ (1,467,975) |

| Investment income:                                 |           |           |           |            |         |
|--|-----------|-----------|-----------|------------|---------|
| Interest   | \$ -      | \$ 1,085  | \$ 1,784  | \$ 271,823 | 274,692 |
| Dividends  | 51,532    | 23,597    | 13,572    | 35         | 88,736  |
| Securities lending                                 | -         | 1,632     | 487       | -          | 2,119   |
| Total investment income of Group Trust Investments | \$ 51,532 | \$ 26,314 | \$ 15,843 | \$ 271,858 | 365,547 |

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 and 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:     |  |         |         |           |

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|  |              |              |      |              |
|--|--------------|--------------|------|--------------|
| Common/collective trust funds              | -            | 30,047       | -    | 30,047       |
| 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 PUERTO RICO SAVINGS PLAN  
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#### Financial Instruments With Off-Balance Sheet Risk

In the normal course of operations, Group Trust assets held in the AT&T Stable Value Fund are invested in financial instruments (futures, options and foreign currency contracts) which may give rise to off-balance sheet risk. 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 to reduce, rather than increase, market risk. The Group Trust's fiduciaries do not anticipate any material adverse effect on the Group Trust's financial position resulting from its involvement in these instruments.

#### Futures Contracts

On behalf of the ATTC Master Trust (from October 1, 2007 to May 1, 2008) and the AT&T Master Trust (beginning May 1, 2008), investment managers for the Group Trust enter into various futures contracts to economically hedge investments in domestic securities. These contracts, which are considered derivatives under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," 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 trusts, 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.

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

| Type of Contract                    | Number of<br>Contracts<br>Buy/(Sell) | Expiration | Notional<br>Value |
|-------------------------------------|--------------------------------------|------------|-------------------|
| 90 Day EuroDollar Future            | (39)                                 | 6/2010     | \$ (9,580)        |
| US Treasury Bond Future             | (126)                                | 3/2009     | (17,394)          |
| US 10-Year Treasury Notes<br>Future | (225)                                | 3/2009     | (28,294)          |
| US 5-Year Treasury Notes<br>Future  | 835                                  | 3/2009     | 99,411            |
| US 2-Year Treasury Notes<br>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<br>Future | 362                                  | 3/2009     | 45,522            |
| US 5-Year Treasury Notes<br>Future  | 229                                  | 3/2009     | 27,264            |
| US 2-Year Treasury Notes<br>Future  | 19                                   | 3/2009     | 4,143             |



At December 31, 2007, open futures contracts held in the Group Trust were as follows:

| Type of Contract                    | Number<br>of<br>Contracts<br>Buy/(Sell) | Expiration | Notional<br>Value |
|-------------------------------------|---|------------|-------------------|
| 90 Day EuroDollar Future            | 117                                     | 9/2008     | \$ 28,229         |
| 90 Day EuroDollar Future            | (117)                                   | 9/2009     | (28,182)          |
| US Treasury Bond Future             | (101)                                   | 3/2008     | (11,754)          |
| US 10-Year Treasury Notes<br>Future | (375)                                   | 3/2008     | (42,521)          |
| US 5-Year Treasury Notes<br>Future  | 542                                     | 3/2008     | 59,772            |
| US 2-Year Treasury Notes<br>Future  | (83)                                    | 3/2008     | (17,451)          |
| US Treasury Bond Future             | (267)                                   | 3/2008     | (31,072)          |
| US 10-Year Treasury Notes<br>Future | 366                                     | 3/2008     | 41,501            |
| US 5-Year Treasury Notes<br>Future  | 880                                     | 3/2008     | 97,048            |
| US 2-Year Treasury Notes<br>Future  | 283                                     | 3/2008     | 59,501            |

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Fully Benefit-Responsive Investment Contracts

The AT&T Stable Value Fund consists primarily of 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 AT&T Stable Value Fund invests in GICs and Synthetic GICs. Synthetic GICs are also referred to as wrapper contracts. At December 31, 2008 and 2007, the assets supporting the Synthetic GICs were owned by the Group Trust and generally consisted of high-quality fixed income securities. At December 31, 2008 the underlying net assets allocated to the AT&T SP Master Trust had a fair value of \$4,878,713 and a contract value of \$4,953,382. At December 31, 2007 the underlying net assets allocated to the ATTC Master Trust had a fair value of \$2,688,230 and a contract value of \$2,694,053. For the years ended December 31, 2008 and 2007, the average yield earned by the Group Trust on these contracts was 5.06% and 5.07%, and, the average yield earned by the Group Trust adjusted to reflect actual interest rate credited to participants, was 4.57% and 5.25%. No valuation reserves were recorded to adjust contract amounts as of December 31, 2008 or 2007.

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 was \$17,863 at December 31, 2008 and \$267 at December 31, 2007.

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 investments, and can have a material impact on the wrapper contract's interest crediting rate. Additionally, participant withdrawals and transfers from the AT&T 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 AT&T SP Master Trust totaled \$74,669 at December 31, 2008 of which \$22 was allocated to the Plan, and the amount allocated to the ATTC Master Trust totaled \$5,823 at December 31, 2007, of which \$6 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.

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 Group Trust, 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 these events are probable of occurring in the foreseeable future.

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#### Securities Lending

The Group Trust is authorized to engage in the lending of certain assets in the Stable Value Fund. 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. The fair value of securities on loan was \$931,176 and \$671,822 and value of collateral held was \$954,949 and \$684,204 at December 31, 2008 and 2007. The collateral is invested in a common collective trust (classified as Level 2).

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.

#### Investment Risk

Investments held by the ATTC Master Trust, Group Trust and the Plan 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 statement of net assets available for plan benefits. Plan participants' accounts that are invested in the Company stock fund options 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

#### 7. Related Party Transactions and Party-in-Interest

Plan assets are invested in AT&T stock either directly or 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 AT&T Master Trust are managed by BNY Mellon and Fidelity as trustee and record keeper, respectively, as defined by various agreements. In addition, certain investments are managed by State Street and Fidelity as trustee and record keeper 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.



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(Dollars in Thousands)

8.Reconciliation of Financial Statements to Form 5500 - The following is a reconciliation of Net Assets Available for Benefits per the financial statements to the Form 5500 as of December 31:

|  | 2008      | 2007     |
|--|-----------|----------|
| Net Assets Available for Benefits per the financial statements                                       | \$ 12,319 | \$ 5,140 |
| Less: Adjustment from contract value to fair value for fully benefit-responsive investment contracts | (22)      | (6)      |
| Net Assets Available for Benefits per the Form 5500  | \$ 12,297 | \$ 5,134 |

The following is a reconciliation of total additions per the financial statements to total income per the Form 5500 for the year ended December 31, 2008:

|   |          |
|---|----------|
| Total additions per the financial statements  | \$ (660) |
| Adjustment from contract value to fair value for fully benefit-responsive investment contracts at December 31, 2008 | (22)     |
| Adjustment from contract value to fair value for fully benefit-responsive investment contracts at December 31, 2007 | 6        |
| Total income per the Form 5500  | \$ (676) |

Fully benefit-responsive contracts are recorded on the Form 5500 at fair value versus contract value on the financial statements.

AT&T PUERTO RICO SAVINGS PLAN  
(FORMERLY AT&T OF PUERTO RICO, INC. LONG TERM SAVINGS  
PLAN FOR MANAGEMENT EMPLOYEES)

EIN 43-1301883, PLAN NO. 010  
SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2008

(Dollars in Thousands)

| Identity of Issue   | Description of Investment | Cost          | Current Value |
|---------------------|---------------------------|---------------|---------------|
| * Participant Loans |                           | 4.00% - 8.25% | ** 677        |

\* Party-in-Interest.

\*\* \*\* Participant-directed investment, cost not required.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed by the undersigned thereunto duly authorized.

AT&T Puerto Rico Savings Plan  
(formerly AT&T of Puerto Rico, Inc.  
Long Term Savings Plan for Management  
Employees)

By AT&T Inc.,  
Plan Administrator for the Foregoing Plan

By /s/ John J. Stephens  
John J. Stephens  
Senior Vice President and Controller

Date: October 2, 2009



EXHIBIT INDEX

Exhibit identified below, Exhibit 23 is filed herein as an exhibit hereto.

Exhibit  
Number

23 Consent of Independent Registered Public Accounting Firm

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