

AT&T INC.  
Form 11-K  
June 27, 2008

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, 2007

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:

BELLSOUTH SAVINGS AND  
SECURITY PLAN

Byname of issuer of the securities held pursuant to the plan and the  
address of its principal executive office:

AT&T INC.

175 E. Houston, San Antonio, Texas 78205

Financial Statements, Supplemental Schedules and Exhibit

Table of Contents

	Page
Report of Independent Registered Public Accounting Firm	1
Financial Statements:	
Statements of Net Assets Available for Benefits as of December 31, 2007 and 2006	2
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2007	3
Notes to Financial Statements	4
Supplemental Schedule:	
Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)	10
Exhibit:	
23 – Consent of Independent Registered Public Accounting Firm	

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Plan Administrator of the  
BellSouth Savings and Security Plan

We have audited the financial statements of the BellSouth Savings and Security Plan (the "Plan") as of December 31, 2007 and 2006, and for the year ended December 31, 2007, as listed in the accompanying contents page. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007 and 2006, and the changes in its net assets available for benefits for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2007 is presented for the purpose of additional analysis and is not a required part of the basic 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. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ McConnell & Jones LLP

Houston, Texas  
June 26, 2008

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BELLSOUTH SAVINGS AND SECURITY PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
(Dollars in Thousands)

	December 31,	
	2007	2006
<b>ASSETS</b>		
Investments, at fair value:		
Investment in Master Trust	\$ 2,828,406	\$ 2,764,289
Participant loans receivable	50,588	40,244
<b>Total Investments</b>	<b>2,878,994</b>	<b>2,804,533</b>
Participant contributions receivable	3,601	3,711
Employer contributions receivable	1,899	1,530
Other	390	3,190
<b>Total Assets, at fair value</b>	<b>2,884,884</b>	<b>2,812,964</b>
<b>LIABILITIES</b>		
Payables	1,246	8,315
<b>Net Assets Available for Benefits, at fair value</b>	<b>2,883,638</b>	<b>2,804,649</b>
Adjustment from fair value to contract value for interest in Master Trust relating to fully benefit- responsive investment contracts	(7,485)	(4,395)
<b>Net Assets Available for Benefits</b>	<b>\$ 2,876,153</b>	<b>\$ 2,800,254</b>

See Notes to Financial Statements.

BELLSOUTH SAVINGS AND SECURITY PLAN  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 FOR THE YEAR ENDED DECEMBER 31, 2007  
 (Dollars in Thousands)

Net Assets Available for Benefits, December 31, 2006	\$ 2,800,254
Additions to Net Assets:	
Contributions:	
Participant contributions	116,706
Employer contributions	47,182
	163,888
Investment Income:	
Net income from investment in Master Trust	252,872
Interest on participant loans	833
	417,593
Total Additions	417,593
Deductions from Net Assets:	
Distributions	338,750
Transfers to affiliate plans	2,944
	341,694
Total Deductions	341,694
Net Increase	75,899
Net Assets Available for Benefits, December 31, 2007	\$ 2,876,153

See Notes to Financial Statements.

BELLSOUTH SAVINGS AND SECURITY PLAN  
NOTES TO FINANCIAL STATEMENTS  
(Dollars in Thousands)

1. Plan Description – The BellSouth Savings and Security Plan (Plan) is a defined contribution plan established by BellSouth Corporation (BellSouth) to provide a convenient way for eligible bargained for employees of participating BellSouth companies to save on a regular and long-term basis. 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).

In December 2006, BellSouth was acquired by AT&T Inc. (AT&T or the Company). As a result of the acquisition, the BellSouth common stock held in the BellSouth Stock Fund was converted to AT&T common stock based on a conversion ratio.

Prior to March 1, 2008, the Plan participated in the BellSouth Master Savings Trust (Master Trust) for the investment of the pooled assets of various funds. Each participating plan has an undivided interest in the Master Trust. The trustee of the Master Trust is State Street Bank and Trust Company (State Street). On March 1, 2008, the Master Trust became a single plan trust holding only the assets in the Plan and the trustee was changed to Mellon Trust of New England, N.A. (See Note 5)

Participants can invest their contributions in one or more of the following funds: AT&T Stock Fund, Index Stock Fund, Interest Income Fund, Bond Fund, Balanced Fund, BGI LifePath portfolios including 2010, 2020, 2030, 2040 Retirement funds and the following mutual funds: Fidelity Growth & Income Portfolio, Vanguard Growth Index –Institutional, DFA U.S. Small Cap Value II Fund, T. Rowe Price Mid-Cap growth, DFA U.S. Large Cap Value II Fund and DFA International Value II Fund.

Loans are available to all participants in an amount not less than \$1 and up to a maximum of 50% of the participant's vested account balance or \$50 minus the participant's highest outstanding loan balance in the last twelve months. The loans are collateralized by the balance in the participant's account and bear interest at various rates ranging from 5.00% to 10.50% on participant loans outstanding at December 31, 2007.

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 of Plan termination, the Plan provides that the net assets are to be distributed to participating employees in amounts equal to their respective interest in such assets.

BELLSOUTH SAVINGS AND SECURITY PLAN  
NOTES TO FINANCIAL STATEMENTS  
(Dollars in Thousands)

2. Accounting Policies – The accompanying financial statements were prepared in conformity with U.S. generally accepted accounting principles, 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. The most significant estimates relate to the valuation of the investments. Benefits are recorded when paid. Income and assets of the Master Trust are allocated to the Plan based on participant balances. Certain amounts in prior-year financial statements have been reclassified to conform to the current year's presentation.

The net asset value of the Master Trust is calculated by State Street, which determines the value of the underlying assets in the investment manager portfolios taking into account the market values supplied by a recognized pricing or quotation services or quotations furnished by one or more reputable sources, such as securities brokers, dealers or investment bankers, mutual fund administrators, values of comparable property, appraisals or other relevant information. Investments in AT&T common shares and other securities listed on national stock exchanges are carried at fair value determined on the basis of the last published sales price per share on the last business day of the year. Securities traded in over-the-counter markets are carried at fair value based on the last bid prices or closing prices on December 31, as listed in published sources if available or, if not available, from other sources considered reliable. All investments are carried at the fair value at the close of the business day on December 31. For contracts with insurance companies and financial institutions, which are fully benefit-responsive, an adjustment to contract value (representing contributions made under the contracts plus accumulated interest at the contract rates) is separately identified on the Statement of Net Assets Available for Benefits. Participant loans receivable are valued at cost which approximates fair value. Participant loans are assets of the Plan and are not part of the Master Trust. 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.

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 Plan 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 GIC 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.

3. Tax Status – The IRS has determined and informed BellSouth by a letter dated January 17, 2003, that the Plan, and related trust are qualified in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since January 17, 2003. However, the plan administrator believes that the Plan is qualified and is currently being operated in compliance with the applicable requirements of the IRC. Since the Plan and its associated trust are tax-exempt under the IRC, no provision for income taxes has been included in the Plan's financial statements.



4. Plan Expenses – Each participant in the Plan is charged a flat annual fee for Plan administrative expenses, including recordkeeping, trustee and other expenses considered reasonable by the Plan administrator. The fee is divided on a pro rata basis among each investment option of the participant and additional fees are charged to individual participants for various services provided by the Plan’s recordkeeper. Investment manager fees are paid by the Master Trust.

5

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BELLSOUTH SAVINGS AND SECURITY PLAN  
 NOTES TO FINANCIAL STATEMENTS  
 (Dollars in Thousands)

5. Master Trust Investments – The Master Trust investments presented as of December 31 are those held by State Street, as trustee, of the Master Trust and are allocated to the Plan based upon the total of each individual participant’s share of the Master Trust’s net assets. The Plan’s allocated share of the total net assets of the Master trust was 34.0% at December 31, 2007 and 33.3% at December 31, 2006.

The Plan’s allocated shares of the net assets of each fund in the Master Savings Trust at December 31, was as follows:

	2007	2006
AT&T Stock Fund	45.19%	46.34%
Indexed Stock Fund	17.32	16.67
Interest Income Fund	32.55	