AT&T INC.
Form 11-K
June 30, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

FORM 11-K

x ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 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:

BELLSOUTH SAVINGS AND
SECURITY PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

AT&T INC.

208 S. Akard, Dallas, Texas 75202

Financial Statements, Supplemental Schedule and Exhibit

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying statement of net assets available for benefits of BellSouth Savings and Security Plan as of December 31, 2008, and the related statement of changes in net assets available for benefits for the year then ended. 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 2008 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 the changes in its net assets available for benefits for the year then ended, 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
June 26, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying Statement of Net Assets Available for Benefits of the BellSouth Savings and Security Plan (the "Plan") as of December 31, 2007. The Statement of Net Assets Available for Benefits is the responsibility of the Plan's management. Our responsibility is to express an opinion on the statement of net assets available for benefits 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. The Plan is not required to have, nor were we engaged to perform, an audit of its 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the Statement of Net Assets Available for Benefits referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ McConnell & Jones LLP

Houston, Texas
June 26, 2008

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

	December 31, 2008	2007
ASSETS		
Investment in BellSouth Master Savings Trust	$ -	$ 2,828,406
Investment in AT&T Savings Group Investment Trust	834,903	-
Investments, at fair value	1,274,624	-
Participant loans receivable	45,931	50,588
Total Investments	2,155,458	2,878,994
Participant contributions receivable	-	3,601
Employer contributions receivable	-	1,899
Interest receivable	980	-
Other	734	390
Total Assets	2,157,172	2,884,884
LIABILITITES		
Due to broker, net	34,978	-
Payables	1,482	1,246
Net assets reflecting benefits, at fair value	2,120,712	2,883,638
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	12,978	(7,485)
Net Assets Available for Benefits	$ 2,133,690	$ 2,876,153

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, 2008
(Dollars in Thousands)

Net Assets Available for Benefits, December 31, 2007	$ 2,876,153
Additions to Net Assets:	
Contributions:	
Participant contributions	114,318
Employer contributions	44,476
	158,794
Investment Income (Loss):	
Net loss from investment in BellSouth Master Savings Trust	(128,328)
Net income from investment in AT&T Savings Group Investment Trust	31,462
Interest	7,880
Dividends	114,141
Net depreciation in fair value of investments	(615,408)
	(590,253)
Total Additions, net of investment loss	(431,459)
Deductions from Net Assets:	
Distributions	308,904
Administrative expenses	2,100
Total Deductions	311,004
Net decrease	(742,463)
Net Assets Available for Benefits, December 31, 2008	$ 2,133,690

See Notes to Financial Statements.

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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. The trustee of the Master Trust was State Street Bank and Trust Company (State Street). On March 1, 2008, the Master Trust became a single plan trust holding only the assets of the Plan and the trustee was changed to The Bank of New York Mellon (BNY Mellon). In addition, on March 1, 2008, the Plan became a participating plan in the AT&T Savings Group Investment Trust (Group Trust) with respect to the AT&T Stable Value Fund option only. (See Note 6)

During 2008, participants could invest their contributions in one or more of eleven funds. As of December 31, 2008, participants are able to invest their contributions in one or more of the following funds in 1% increments:

· AT&T Shares Fund	· DFA U.S. Small Cap Value II Fund
· Indexed Stock Fund	· DFA International Value II Fund
· Vanguard Growth Index Fund	· DFA U.S. Large Cap Value II Fund
· Fidelity Growth & Income Portfolio	· T. Rowe Price Mid-Cap Growth
· Balanced Fund	· BGI Age-Based Asset Allocation Funds (based on retirement date)
· Bond Fund	· AT&T Stable Value Fund*

* Fund option became an investment fund option of the Group Trust effective March 1, 2008.

Participants contribute to the Plan on a pre-tax basis through payroll allotments. Company contributes to the Plan by matching the participants' contributions based on the provisions of the Plan. All contributions were participant directed.

Dividends on shares in the AT&T Shares Fund can either be reinvested in the AT&T Shares Fund on a quarterly basis, or paid into a separate fund known as a Dividend Fund Account (DFA) for distribution at the end of the year. Interest earned on dividends held in the DFA is paid into the AT&T Shares Fund. During 2008, Plan participants elected to receive $1,843 in dividend Distributions. This amount is included in distributions on the statement of changes in net assets available for benefits.

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 and collectively bargained agreements. In the event that the Plan is terminated, subject to the conditions set forth by ERISA, the account balances of all participants shall be 100% vested.

BELLSOUTH SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS - continued
(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. 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 reported 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 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.

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.

3. Tax Status – The Plan has received a determination letter from the Internal Revenue Service dated January 17, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the “Code”) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related

trust is tax exempt. In addition, the Plan was filed with the Internal Revenue Service for a favorable determination letter on February 2, 2009 pursuant to, and as part of, the IRS determination letter filing program (Cycle C).

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 either by the Plan, the Master Trust (prior to March 1, 2008), or the Group Trust.

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

5. Fair Value Measurements – Financial Accounting Standards Board Statement No. 157, Fair Value Measurements (FASB Statement No. 157), 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 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: · 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.

See Note 6 for fair value hierarchy for the Group Trust's and Plan's investments.

6. Investments – During 2008 the Plan held investments in the Master Trust through March 1, 2008, in the Group Trust (through participation in the AT&T Stable Value Fund option only) from March 1, 2008 to December 31, 2008, and in its own trust from March 1, 2008 to December 31, 2008.

BellSouth Master Savings Trust Investments

The Master Trust investments presented as of December 31, 2007 are those held by State Street, as trustee, of the Master Trust and were 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 $2,828,406 or 34% at December 31, 2007. As discussed in Note 1, the Master Trust became a single plan trust holding only the assets of the Plan and the trustee was changed to BNY Mellon. Therefore, the Master Trust held no assets at December 31, 2008.

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

The Plan's allocated percentages of the net assets of each fund in the Master Trust at December 31, 2007 were as follows:

AT&T Shares Fund	45.19%
Indexed Stock Fund	17.32
Interest Income Fund	32.55
Vanguard Growth Index Fund	33.56
Fidelity Growth & Income Portfolio	34.72
Balanced Fund	28.79
Bond Fund	25.15
T. Rowe Price Mid-Cap Growth	32.47
DFA U.S. Small Cap Value II Fund	31.80
DFA International Value II Fund	30.62
DFA U.S. Large Cap Value II Fund	31.62
BGI LifePath 2010 Fund	24.67
BGI LifePath 2020 Fund	27.73
BGI LifePath 2030 Fund	29.00
BGI LifePath 2040 Fund	27.48
BGI LifePath Retirement Fund	31.44

The financial position of the Master Trust at December 31, 2007 was as follows:

Type of Master Trust Investment	
Short-term securities	$ 51,051
Common stocks	2,094,325
U.S. Government bonds and notes	205,292
Corporate and other bonds and notes	73,655
Registered investment companies	2,556,691
Common/collective trust funds	1,171,917
Investment contracts (at fair value):	
Synthetic investment contracts	
Short-term investments	159,479
Asset-backed securities	928,604
Corporate bonds	24,885
Government securities	1,128,500
Unsettled trades and other	(1,354)
Wrap Contract	-
Unsettled trades and other	(18,256)
Master trust investments at fair value	8,374,789
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(27,775)
	$ 8,347,014

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

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

Common stocks	$ (322,412)
U.S. Government bonds and notes	692
Registered investment companies	(235,914)
Corporate and other bonds and notes	31
Common/collective trust funds	(68,213)
Total net depreciation in fair value of Master Trust Investments	$ (625,816)
Investment income:	
Interest	$ 22,086
Dividends	20,128
Other	702
Total investment income	$ 42,916

AT&T Savings Group Investment Trust Investments

In October 2007, AT&T established the Group Trust to manage assets of pooled investment options among the various AT&T sponsored employee benefit plans. The Plan began participating in the Group Trust on March 1, 2008 through participation in the AT&T Stable Value Fund option only. Prior to March 1, 2008, the Plan offered participants the Interest Income Fund option which was held by the Master Trust. Effective March 1, 2008 the underlying investments of the Interest Income Fund were transferred to the Group Trust and the fund option for participants became the AT&T Stable Value Fund.

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

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

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

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%

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

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

December 31, 2008	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T Inter-national Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	$ -	$ 43	$ 7,426	$ -	$ 7,469
Common/collective trust funds	-	492,060	143,162	-	635,222
Corporate and other bonds and notes	-	-	171	-	171
Equities	-	1,174,101	250,366	-	1,424,467
Equities – loaned	-	(73,570)	(13,993)		(87,563)
Publicly traded partnerships	-	1,242	-	-	1,242
Registered investment companies	752,426	23,407	4,793	5,062	785,688
Registered investment companies – loaned	(37,925)				(37,925)
Investment contracts (at fair value):					
Guaranteed investment contracts	-	-	-	23,996	23,996
Synthetic investment contracts					
Common/collective trust funds	-	-	-	26,927	26,927
Corporate and other bonds and notes	-	-	-	2,739,026	2,739,026
Corporate and other bonds and notes – loaned				(8,955)	(8,955)
Government securities	-	-	-	3,765,673	3,765,673
Government securities – loaned				(796,733)	(796,733)
Investments short sold (proceeds of $97,604)	-	-	-	(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 Savings Group Investment Trust investments at fair value	752,426	1,690,217	405,918	6,324,942	9,174,139
Unsettled trades and other	3,469	(636)	2,292	(5,499)	(374)
	-	-	-	96,719	96,719

Adjustment from fair value to contract value for fully benefit-responsive investment contracts					
AT&T Savings Group Investment Trust investments	$ 755,895	1,690,217	408,210	6,416,162	9,270,484
Plan’s percentage ownership interest of investments	-%	-%	-%	13.2%	9.2%

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

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

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T Inter-national Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	$ -	$ -	$ 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)	$ -	$ (1,467,974)

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 Plan participated in the Group Trust for the period March 1, 2008 to December 31, 2008. The net depreciation in fair value of Group Investments was $(1,361,585) and investment income was $332,569 for the period March 1, 2008 to December 31, 2008.

BELLSOUTH SAVINGS AND SECURITY PLAN
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, 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:			-	
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 at fair value	$ 2,419,487	$ 6,754,652	$ -	$ 9,174,139

Plan Investments

As disclosed in Note 1, the Master Trust became a single plan trust holding only the assets of the Plan. Investments representing 5% or more of Plan net assets at December 31, 2008 were:

	2008
AT&T Shares Fund	
AT&T common shares	$ 608,353
Bond Fund	
PIMCO Bond Fund	$ 116,432

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value as follows for the period from March 1, 2008 to December 31, 2008:

Common stock	$ (137,898)
Registered investment companies	(466,905)
Common/collective trust funds	(10,605)
Total	$ (615,408)

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

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

	Plan Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Cash	$ 4,771	$ -	$ -	$ 4,771
Common stock	611,048	-	-	611,048
Registered investment companies	411,791		-	411,791
Common/collective trust funds	-	247,014	-	247,014
Participant loans	-		45,931	45,931
Total assets at fair value	$ 1,027,610	$ 247,014	$ 45,931	$ 1,320,555

There are no realized or unrealized gains or losses on participant loans. The change from the December 31, 2007 balance of $50,588 consists solely of net issuances and settlements.

Financial Instruments With Off-Balance Sheet Risk

In the normal course of operations, Group Trust (Master Trust prior to March 1, 2008) assets 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 on the following pages provide a measure of the Group Trust (Master Trust prior to March 1, 2008) 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 (Master Trust's prior to March 1, 2008) fiduciaries do not anticipate any material adverse effect on the Group Trust's (Master Trust's prior to March 1, 2008) financial position resulting from its involvement in these instruments.

Futures Contracts

On behalf of the Plan, investment managers for the Group Trust (Master Trust prior to March 1, 2008) 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 on behalf of the Plan, 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.

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

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

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

At December 31, 2008, open futures contracts held by the Plan were as follows:

Type of Contract	Number of Contracts Buy/(Sell)	Expiration	Notional Value
S&P 500 Index Futures	22	3/2009	$ 4,951
U.S. Treasury Bonds Futures	(14)	3/2009	(1,933)

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

Type of Contract	Number of Contracts Buy/(Sell)	Expiration	Notional Value
S&P 500 Index Futures	128	3/2008	$ 32
U.S. Treasury Bonds Futures	(254)	3/2008	(25,400)

Fully Benefit-Responsive Investment Contracts

The AT&T Stable Value Fund (the Interest Income Fund prior to March 1, 2008) consists of fully benefit-responsive investment contracts with various financial institutions and insurance companies that promise to repay principal plus accrued income at contract maturity, subject to the creditworthiness of the issuer. Interest crediting rates are generally established when the contract is purchased and may be periodically reset. The AT&T Stable Value Fund (the Interest Income Fund prior to March 1, 2008) invests in GICs and Synthetic GICS. Synthetic GICS are also referred to as wrapper contracts. At December 31, 2008 the assets supporting the Synthetic GICs are owned by the Group Trust. At December 31, 2007 the assets supporting the Synthetic GICs are owned by the Master Trust. These assets generally consist of high quality fixed income securities. At December 31, 2008 the underlying net assets allocated to the Plan had a fair value of $834,903 and a contract value of $847,881. At December 31, 2007 the underlying net assets allocated to the Plan had a fair value of $720,531 and a contract value of $713,046. For the years ended December 31, 2008 and 2007, the average yield earned by the Plan on these contracts was 5.06% and 4.49%, and, the average yield earned by the Plan adjusted to reflect actual interest rate credited to participants, was 4.57% and 4.60%. No valuation reserves were recorded to adjust contract amounts as of December 31, 2008 or 2007.

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

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 contract (held in the Group Trust) was $17,863 at December 31, 2008. The fair value of the wrapper contracts (held in the Master Trust) was $0 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 plan the shortfall needed to maintain the rate at zero, ensuring participants' principal and accrued interest is protected. The fixed crediting interest rate on these contracts was 4.47% at December 31, 2008 and 4.66% at December 31, 2007.

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 (the Interest Income Fund prior to March 1, 2008) 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 relating to fully benefit-responsive investment contracts," and the amount allocated to the Plan totaled $12,978 at December 31, 2008 and was $(7,485) at December 31, 2007. When 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 (the Master Trust prior to March 1, 2008), 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 will occur in the foreseeable future.

Securities Lending
The Group Trust is authorized to engage in the lending of certain assets. Securities lending is an investment management enhancement that utilizes the existing securities of the Group Trust to earn additional income. Securities lending involves the loaning of securities to a selected group of approved banks and broker-dealers. The fair value of securities on loan was $931,176 and value of collateral held was $954,949 at December 31, 2008. The collateral is invested in a common/collective trust fund (classified as Level 2).

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

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 Master Trust, Group Trust and 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 option are exposed to market risk in the event of a significant decline in the value of AT&T stock.

Additionally, the Group Trust (the Master Trust prior to March 1, 2008) 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. 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 and Group Trust are managed by BNY Mellon and Fidelity as trustee and record keeper, respectively, as defined by various agreements. Therefore, these transactions and fees paid to these entities qualify as parties-in-interest transactions. All of these transactions are exempt from the prohibited transactions rules

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	$ 2,133,690	$ 2,876,153
Less: Adjustment from contract value to fair value for fully benefit-responsive investment contracts	(12,978)	7,485
Net Assets Available for Benefits per the Form 5500	$ 2,120,712	$ 2,883,638

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

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	$	(431,459)
Adjustment from contract value to fair value for fully benefit-responsive investment contracts at December 31, 2007		(7,485)
Adjustment from contract value to fair value for fully benefit-responsive investment contracts at December 31, 2008		(12,978)
Total income per the Form 5500	$	(451,922)

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

BELLSOUTH SAVINGS AND SECURITY PLAN

EIN 58-1533433, PLAN NO. 004
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
*	AT&T Shares Fund	Common stock		$	608,353
*	Mellon Bank of New York – Interest bearing cash	Cash – AT&T Shares Fund			2,695
	Northern Trust Equity Index Fund	Common collective trust fund			70,214
	Vanguard Growth Index Fund	Registered investment company			44,723
*	Fidelity Growth & Income Portfolio	Registered investment company			31,126
	First Quadrant Balanced Fund	Common collective trust fund			32,571
	Pimco Bond Fund	Common collective trust fund			116,432
	T. Rowe Price Mid-Cap Growth	Registered investment company			103,212
	DFA U.S. Small Cap Value II Fund	Registered investment company			79,716
	DFA International Value II Fund	Registered investment company			84,892
	DFA U.S. Large Cap Value II Fund	Registered investment company			68,122
	BGI LifePath 2010 Fund	Common collective trust fund			8,738
	BGI LifePath 2020 Fund	Common collective trust fund			7,743
	BGI LifePath 2030 Fund	Common collective trust fund			4,582
	BGI LifePath 2040 Fund	Common collective trust fund			2,968
	BGI LifePath Retirement Fund	Common collective trust fund			3,766
*	Mellon Bank of New York – Interest bearing cash	Cash			4,771
*	Participant Loans Receivable	5.00% - 10.50%	**		45,931
	Total			$	1,320,555

* Party-in-Interest.
** Participant-directed investment, cost not required.

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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.

BellSouth Savings and Security Plan

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

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

Date: June 26, 2009

EXHIBIT INDEX

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

Exhibit
Number

23 Consents of Independent Registered Public Accounting Firms
- 23.1 Consent of Ernst & Young LLP
- 23.2 Consent of McConnell & Jones LLP