

SBC COMMUNICATIONS INC

Form S-4/A

April 20, 2005

Table of Contents

As filed with the Securities and Exchange Commission on April 20, 2005

Registration No. 333-123283

**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**AMENDMENT NO. 1  
to  
Form S-4  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**SBC COMMUNICATIONS INC.**

*(Exact name of registrant as specified in its certificate of incorporation)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**4813**

*(Primary Standard Industrial  
Classification Code Number)*

**43-1301883**

*(IRS Employer  
Identification Number)*

**175 East Houston  
San Antonio, Texas 78205  
(210) 821-4105**

*(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)*

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(210) 821-4105**

*(Name, address, including zip code, and telephone number,  
including area code, of agent for service)*

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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this registration statement becomes effective and upon completion of the transactions described in the enclosed prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.    ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.    ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.    ☐

**The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**Table of Contents**

The information in this document is not complete and can be changed. SBC may not issue the securities being offered by use of this document until the registration statement filed with the Securities and Exchange Commission, of which this document is part, is declared effective. This document is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where such offer, solicitation or sale is prohibited.

<b>PRELIMINARY DRAFT DATED APRIL 20, 2005</b>	<b>SUBJECT TO COMPLETION</b>
<b>PRELIMINARY PROSPECTUS OF</b>	<b>PRELIMINARY PROXY STATEMENT OF</b>
<b>SBC COMMUNICATIONS INC.</b>	<b>AT&amp;T CORP.</b>
	April [1], 2005

Dear AT&T Shareholder:

It is a pleasure to invite you to AT&T's 2005 Annual Meeting of Shareholders, on [1], 2005, beginning at 9:30 a.m. local time, at [1].

At the meeting, among other things, you will be asked to adopt the merger agreement that AT&T has entered into with SBC Communications Inc. In the merger, AT&T will merge with a wholly owned subsidiary of SBC and will become a wholly owned subsidiary of SBC. AT&T and SBC believe that the merger will create one of the nation's leading communications companies, with significant national and global reach.

If the merger is completed, AT&T shareholders will receive 0.77942 of a share of SBC common stock for each share of AT&T common stock held immediately prior to the merger. In addition, AT&T will declare a special dividend of \$1.30 per share which it intends to pay, assuming the merger will be completed, on the closing date of the merger. Based on the closing price of \$23.62 per share of SBC common stock on the New York Stock Exchange on January 28, 2005, the last trading day before the public announcement of the merger, the 0.77942 exchange ratio, taken together with the \$1.30 special dividend, represented a total merger consideration of approximately \$19.71 per AT&T share. Based on the closing price of \$[1] per share of SBC common stock on the NYSE on April [1], 2005, the latest practicable date before the printing of this document, the total merger consideration was valued at approximately \$[1] per AT&T share. However, the value of the merger consideration that you will receive for each share of AT&T common stock will depend on the price per share of SBC common stock at the time of the merger. That price is impossible to know at this time, will not be known at the time of the meeting and may be less than the current price or the price at the time of the meeting. Based on the estimated number of shares of AT&T common stock outstanding on the record date for the meeting, SBC expects to issue approximately [1] shares of SBC common stock to AT&T shareholders in connection with the merger. Immediately after the merger, former AT&T shareholders are currently expected to own approximately 16% of the then-outstanding shares of SBC common stock (without giving effect to shares of SBC common stock held by AT&T shareholders prior to the merger).

**After careful consideration, the AT&T board of directors has adopted the merger agreement, declared that the merger and the other transactions contemplated by the merger agreement, including the special dividend, are advisable and recommends that you vote FOR the adoption of the merger agreement.**

The accompanying document provides a detailed description of the proposed merger and the merger consideration. In addition, it provides you with important information regarding the AT&T board of directors and its senior management and other proposals that require your vote, as well as information regarding AT&T's corporate governance practices. I urge you to read the enclosed materials carefully. **Please pay particular attention to the Risk Factors beginning on page 16 for a discussion of the risks related to the merger and owning SBC common stock after the merger.**

**Your vote is very important.** Whether or not you expect to attend the meeting, please vote as soon as possible to ensure that your shares are represented at the meeting. Registered and many broker-managed shareholders can vote their shares by using a toll-free telephone number or the Internet. Instructions for using these convenient services are provided on the proxy card. Of course, you may still vote your shares by marking your votes on the proxy card, signing and dating it and mailing it in the envelope provided. If you sign and return your proxy card without specifying your choices, it will be understood that you wish to have your shares voted in accordance with the directors' recommendations.

I look forward to seeing you on [ 1 ] in [ 1 ].

Sincerely,

**David W. Dorman**

*Chairman of the Board and Chief Executive Officer*  
*AT&T Corp.*

AT&T common stock is quoted on the NYSE under the symbol T . SBC common stock is quoted on the NYSE under the symbol SBC .

**Neither the Securities and Exchange Commission ( SEC ) nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.**

**This document is dated [I], 2005 and is expected to be first mailed to AT&T s shareholders on or about [I], 2005.**

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**Table of Contents**

**REFERENCE TO ADDITIONAL INFORMATION**

This document incorporates important business and financial information about AT&T and SBC from documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You can obtain documents related to AT&T and SBC that are incorporated by reference in this document, without charge, by requesting them in writing or by telephone from the appropriate company.

AT&T Corp.  
One AT&T Way  
Bedminster, New Jersey 07921  
(908) 532-1680  
**www.att.com**

SBC Communications Inc.  
175 East Houston  
San Antonio, TX 78205  
(210) 821-4105  
**www.sbc.com**

(All website addresses given in this document are for information only and are not intended to be an active link or to incorporate any website information into this document.)

Please note that copies of the documents provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into the documents or this document.

**In order to receive timely delivery of requested documents in advance of the annual meeting, you should make your request no later than [1], 2005.**

**See Where You Can Find More Information beginning on page 144.**

**ABOUT THIS DOCUMENT**

This document, which forms part of a registration statement on Form S-4 filed with the SEC by SBC (File No. 333-123283), constitutes a prospectus of SBC under Section 5 of the Securities Act of 1933, as amended, which is referred to in this document as the Securities Act, with respect to the shares of SBC common stock to be issued to the holders of AT&T common stock in connection with the merger. This document also constitutes a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is referred to in this document as the Exchange Act, and the rules thereunder, and a notice of meeting with respect to AT&T's 2005 Annual Meeting of Shareholders, at which, among other things, the holders of AT&T common stock will consider and vote on the adoption of the merger agreement.

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**Table of Contents**

**NOTICE OF ANNUAL MEETING**

The 120th Annual Meeting of Shareholders of AT&T Corp. will be held at the [1], on [1], [1], 2005, at 9:30 a.m. local time, for the following purposes:

to adopt the merger agreement among SBC, AT&T and Merger Sub;

to adjourn the meeting, if necessary, to permit further solicitation of proxies, in the event that there are not sufficient votes at the time of the meeting to adopt the merger agreement;

to elect nine directors;

to ratify the appointment by the Audit Committee of independent auditors to examine AT&T's accounts; and

to conduct any other business, including shareholder proposals, as may properly come before the meeting or any adjournment or postponement of the meeting.

AT&T shareholders at the close of business on [1], 2005, are entitled to vote their proxies. Only AT&T shareholders with an admission ticket or proof of stock ownership will be admitted to the meeting.

Robert S. Feit  
*Vice President Law and Secretary*  
*AT&T Corp.*

[1], 2005

**YOU CAN VOTE IN ONE OF FOUR WAYS:**

- (1) Use the toll-free telephone number on your proxy card to vote by phone;
  - (2) Visit the website noted on your proxy card to vote via the Internet;
  - (3) Sign, date and return your proxy card in the enclosed envelope to vote by mail; or
  - (4) Vote in person at the meeting.
-

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>Questions and Answers About the AT&amp;T Annual Meeting and the Merger</u></b>	iv
<b><u>Summary</u></b>	1
<u>The Companies</u>	1
<u>As a Result of the Merger, AT&amp;T will Become a Wholly Owned Subsidiary of SBC</u>	1
<u>In the Merger You Will Have the Right to Receive 0.77942 of a Share of SBC Common Stock for each Share of AT&amp;T Common Stock that You Hold; In Addition, Assuming the Merger is Completed, AT&amp;T Will Pay a Special Dividend of \$1.30 per Share to Holders of AT&amp;T Common Stock</u>	1
<u>The AT&amp;T Board of Directors Recommends that Holders of AT&amp;T Common Stock Vote to Adopt the Merger Agreement</u>	2
<u>Opinions of AT&amp;T's Financial Advisors</u>	2
<u>Treatment of AT&amp;T Stock Options and Stock Based Awards</u>	3
<u>AT&amp;T's Executive Officers and Directors Have Interests in the Merger that Differ from, or Are in Addition to, Your Interests in the Merger</u>	3
<u>Material United States Federal Income Tax Consequences</u>	3
<u>Procedures for Exchange of AT&amp;T Common Stock for SBC Common Stock</u>	4
<u>Following the Merger, You Will Be Entitled to Receive the Dividends SBC Pays on the Common Stock</u>	4
<u>Accounting Treatment</u>	4
<u>Regulatory Matters Related to the Merger</u>	4
<u>SBC and AT&amp;T expect that the merger will be completed in late 2005 or early 2006</u>	5
<u>You are not entitled to any Rights of Appraisal if you Dissent from the Merger</u>	5
<u>The Merger Agreement</u>	5
<u>Acquisition Proposals</u>	6
<u>There are Conditions that Must be Satisfied or Waived Before SBC and AT&amp;T are Required to Complete the Merger</u>	6
<u>Under Some Conditions SBC or AT&amp;T May Terminate the Merger Agreement</u>	8
<u>Under Some Circumstances AT&amp;T Will Be Required to Pay a Termination Fee to SBC if the Merger Agreement is Terminated</u>	9
<u>Comparison of Stockholder Rights</u>	9
<b><u>Selected Historical Financial Data of SBC</u></b>	10
<b><u>Selected Historical Financial Data of AT&amp;T</u></b>	11
<b><u>Selected Unaudited Pro Forma Condensed Combined Financial Data</u></b>	12
<b><u>Unaudited Comparative per Share Data</u></b>	13
<b><u>Comparative Market Data</u></b>	14
<b><u>Comparative per Share Market Price Data and Dividend Information</u></b>	15
<b><u>Risk Factors</u></b>	16
<u>Risk Factors Relating to the Merger</u>	16
<u>Risk Factors Relating to SBC Following the Merger</u>	18
<b><u>The Merger</u></b>	24
<u>Background of the Merger</u>	24
<u>SBC's Reasons for the Merger</u>	27
<u>AT&amp;T's Reasons for the Merger</u>	30
<u>Recommendation of the AT&amp;T Board of Directors</u>	33
<u>Certain AT&amp;T Projections</u>	33
<u>Opinions of AT&amp;T's Financial Advisors</u>	35



<u>Interests of AT&amp;T Executive Officers and Directors in the Merger</u>	44
<u>Material United States Federal Income Tax Consequences</u>	48
<u>The Special Dividend</u>	49
<u>The Merger</u>	49
<u>Accounting Treatment</u>	51
<u>Regulatory Matters Related to the Merger</u>	52
<u>HSR Act and Antitrust</u>	52
<u>FCC Approval</u>	52
<u>State Regulatory Approvals</u>	52
<u>Municipal Franchises</u>	53
<u>Foreign and Certain Other Regulatory Matters</u>	53
<u>Merger Fees, Costs and Expenses</u>	53
<u>No Dissenters' Rights of Appraisal</u>	53
<u>Resale of SBC Common Stock</u>	53
<b><u>The Merger Agreement</u></b>	54
<u>The Merger</u>	54
<u>Closing and Effectiveness of the Merger</u>	54

---

**Table of Contents**

	<b>Page</b>
<u>Surviving Corporation's Governing Documents, Officers and Directors; SBC's Post-Closing Directors</u>	54
<u>Merger Consideration and Special Dividend</u>	55
<u>Representations and Warranties</u>	57
<u>Covenants and Agreements</u>	58
<u>Conditions to the Merger</u>	66
<u>Termination</u>	68
<u>Effect of Termination</u>	69
<u>Termination Fees and Expenses</u>	69
<u>Amendment, Extension and Waiver</u>	70
<b><u>The Companies</u></b>	71
<u>AT&amp;T</u>	71
<u>SBC</u>	71
<b><u>Unaudited Pro Forma Condensed Combined Financial Information</u></b>	73
<b><u>Directors and Management of SBC Following the Merger</u></b>	80
<u>SBC Directors and Officers Following the Merger</u>	80
<u>Biographical Information Regarding Current SBC Directors</u>	80
<u>Biographical Information Regarding SBC Executive Officers</u>	82
<u>Beneficial Owners of More Than 5% of SBC Common Stock</u>	
<b><u>Information About the AT&amp;T Annual Meeting</u></b>	83
<b><u>The AT&amp;T Annual Meeting Proposals and Information</u></b>	87
<u>Information About the AT&amp;T Board of Directors and Corporate Governance</u>	87
<u>The AT&amp;T Board of Directors</u>	87
<u>Election of Directors (Proposal 2 on Proxy Card)</u>	87
<u>Nominees for Election as Directors</u>	87
<u>The Committees of the AT&amp;T Board of Directors and Their Functions</u>	89
<u>Independence of Directors; Financial Expert</u>	90
<u>Compensation of Directors</u>	90
<u>Stock Ownership of AT&amp;T Management and Directors</u>	91
<u>Beneficial Ownership of More Than 5% of AT&amp;T Common Stock</u>	93
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	94
<u>Ratification of The Appointment by The Audit Committee of Independent Auditors (Proposal 3 on Proxy Card)</u>	94
<u>AT&amp;T Shareholder Proposals</u>	94
<u>No Future Stock Options – AT&amp;T Shareholder Proposal (Proposal 4 on Proxy Card)</u>	94
<u>Link Restricted Stock Unit Vesting to Performance – AT&amp;T Shareholder Proposal (Proposal 5 on Proxy Card)</u>	95
<u>Executive Compensation – AT&amp;T Shareholder Proposal (Proposal 6 on Proxy Card)</u>	97
<u>Poison Pill – AT&amp;T Shareholder Proposal (Proposal 7 on Proxy Card)</u>	98
<u>Shareholder Approval of Future SERPs – AT&amp;T Shareholder Proposal (Proposal 8 on Proxy Card)</u>	100
<u>Shareholder Ratification of Severance Agreements – AT&amp;T Shareholder Proposal (Proposal 9 on Proxy Card)</u>	101
<u>Advance Notice Procedures; Nomination of Directors</u>	103
<u>Other Matters to Come Before the Annual Meeting</u>	103
<u>Report of the Audit Committee of the AT&amp;T Board of Directors</u>	104
<u>Review of AT&amp;T's Audited Financial Statements</u>	104
<u>AT&amp;T's Independent Public Accountants</u>	105

<u>Principal Auditor Fees and Services (\$ in 000 s)</u>	105
<u>Preapproval Policies and Procedures</u>	106
<u>Five Year Performance Comparison</u>	107
<u>Explanation</u>	107
<u>Executive Compensation</u>	107
<u>AT&amp;T Board Compensation Committee Report on Executive Compensation</u>	107
<u>Compensation Philosophy and Objectives</u>	108
<u>Changes in 2004</u>	108
<u>Executive Compensation Components and Practices</u>	108
<u>Base Salary</u>	109
<u>Short-Term Incentives</u>	109
<u>Long-Term Incentives</u>	110
<u>Performance Shares</u>	110
<u>Stock Ownership Guidelines</u>	111
<u>Compensation for the Chairman of the Board and Chief Executive Officer of AT&amp;T</u>	112
<u>Deductibility Cap on Executive Compensation</u>	112
<u>Impact of the Merger with SBC</u>	113
<u>Conclusion</u>	113

**Table of Contents**

	<b>Page</b>
<u>Compensation Committee Interlocks and Insider Participation</u>	113
<u>Summary Compensation Table</u>	113
<u>Aggregated Option/ Stock Appreciation Rights (SAR) Exercises in 2004 and Year End Values</u>	115
<u>Long Term Incentive Plans Awards in 2004</u>	116
<u>Option/ SAR Grants in 2004</u>	116
<u>Equity Compensation Plan Information</u>	117
<u>Employment Contracts and Termination of Employment Agreements</u>	117
<u>Senior Officer Separation Plan</u>	120
<u>Pension Plans</u>	121
<u>Certain Relationships and Related Transactions</u>	123
<u>Indebtedness of Management</u>	123
<u>Other Arrangements</u>	123
<u>Other Information</u>	123
<u>Travel and Parking Directions</u>	124
<b><u>Description of SBC Capital Stock</u></b>	125
<u>SBC Common Stock</u>	125
<u>SBC Preferred Stock</u>	125
<u>No Stockholder Rights Plan</u>	125
<b><u>Comparison of Stockholder Rights</u></b>	126
<u>Classes and Series of Capital Stock</u>	126
<u>Annual Meeting of Stockholders</u>	126
<u>Special Meetings of Stockholders</u>	127
<u>Quorum of Stockholders</u>	127
<u>Stockholder Action Without a Meeting</u>	128
<u>Stockholder Nominations and Proposals</u>	128
<u>Access to Corporate Records, Financial Statements and Related Matters</u>	130
<u>Amendments of Certificate of Incorporation</u>	130
<u>By-Law Amendments</u>	131
<u>Vote on Mergers, Consolidations, Sales or Leases of Assets and Certain Other Transactions</u>	131
<u>Preemptive Rights</u>	132
<u>Dividends</u>	133
<u>Appraisal and Dissent Rights</u>	133
<u>Number and Qualification of Directors</u>	134
<u>Filling Vacancies on the Board of Directors</u>	135
<u>Removal of Directors</u>	136
<u>Limitation of Personal Liability of Directors and Officers</u>	136
<u>Indemnification of Directors and Officers</u>	137
<u>Derivative Action</u>	138
<u>Anti-Takeover and Ownership Provisions</u>	138
<u>Voluntary Dissolution</u>	139
<b><u>Experts</u></b>	141
<b><u>Legal Matters</u></b>	141
<b><u>Shareholder Proposals</u></b>	141
<b><u>Cautionary Statement Concerning Forward-Looking Statements</u></b>	143
<b><u>Where You Can Find More Information</u></b>	144
	A-1

**Annex A: Agreement and Plan of Merger among AT&T Corp., SBC Communications Inc. and TAU Merger Sub Corporation, Dated as of January 30, 2005**

**Annex B: Fairness Opinion of Credit Suisse First Boston LLC**

B-1

**Annex C: Fairness Opinion of Morgan Stanley & Co. Incorporated**

C-1

**Annex D: AT&T Corporate Governance Guidelines**

D-1

EX-8.1: FORM OF OPINION OF SULLIVAN & CROMWELL LLP

EX-8.2: FORM OF OPINION OF WACHTELL, LIPTON, ROSEN & KATZ

EX-12: COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

EX-23.1: CONSENT OF ERNST & YOUNG LLP

EX-23.2: CONSENT OF PRICEWATERHOUSECOOPERS LLP

EX-23.3: CONSENT OF ERNST & YOUNG LLP

EX-23.4: CONSENT OF PRICEWATERHOUSECOOPERS LLP

EX-99.1: FORM OF PROXY CARD

EX-99.2: FORM OF INFORMATION ON VOTING PROCEDURES

EX-99.5: CONSENT OF CREDIT SUISSE FIRST BOSTON LLC

EX-99.6: CONSENT OF MORGAN STANLEY & CO. INCORPORATED

**Table of Contents**

The following are some of the questions that you, as a shareholder of AT&T, may have and answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this document, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this document. We urge you to read this document in its entirety prior to making any decision as to your AT&T common stock.

**QUESTIONS AND ANSWERS ABOUT THE AT&T ANNUAL MEETING AND THE MERGER**

**Q1: Why are these proxy materials being sent to AT&T shareholders?**

A1: This document is being provided by, and the enclosed proxy is solicited by and on behalf of, the AT&T board of directors for use at the annual meeting of AT&T shareholders.

**Q2: When and where is the AT&T annual meeting?**

A2: The AT&T annual meeting is scheduled to be held at [I], local time, on [I], 2005 at [I], unless it is postponed or adjourned.

**Q3: What is the purpose of the AT&T annual meeting? What am I voting on?**

A3: The purpose of the annual meeting is to consider and vote upon:  
adoption of the Agreement and Plan of Merger, dated as of January 30, 2005 (referred to in this document as the merger agreement), among SBC, AT&T and Tau Merger Sub Corporation, a newly formed, direct and wholly owned subsidiary of SBC (referred to in this document as Merger Sub) (Proposal 1 on the enclosed proxy card);

adjournment of the meeting, if necessary, to permit further solicitation of proxies in favor of adoption of the merger agreement (Proposal 1.a on the enclosed proxy card);

election of nine directors (Proposal 2 on the enclosed proxy card);

ratification of the appointment by the Audit Committee of independent auditors (Proposal 3 on the enclosed proxy card); and

action upon such other matters, including shareholder proposals, as may properly come before the meeting (Proposals 4 through 9 on the enclosed proxy card).

**Q4: Who is entitled to vote at the AT&T annual meeting?**

A4: AT&T shareholders of record at the close of business on [I], 2005, the record date for the AT&T annual meeting, are entitled to receive notice of and to vote on matters that come before the annual meeting and any adjournments or postponements of the annual meeting. However, an AT&T shareholder may only vote his or her shares if he or she is present in person or is represented by proxy at the AT&T annual meeting.

**Q5: How do I vote?**

A5: After carefully reading and considering the information contained in this document, please submit your proxy by telephone or Internet in accordance with the instructions set forth in the enclosed proxy card, or fill out, sign and date the proxy card, and then mail your signed proxy card in the enclosed envelope as soon as possible so that your shares may be voted at the annual meeting. For detailed information please see Information about the AT&T Meeting How do I vote? on page 83.

**Q6: How many votes do I have?**

A6: Each share of AT&T common stock that you own as of the record date entitles you to one vote. On the record date, there were [I] outstanding shares of AT&T common stock. On the record date, less than

**Table of Contents**

1% of the outstanding shares of AT&T common stock were held by directors and executive officers of AT&T and their respective affiliates.

**Q7: What constitutes a quorum at the AT&T annual meeting?**

A7: The presence of the holders of 40 percent of the shares entitled to vote at the AT&T annual meeting constitutes a quorum. Presence may be in person or by proxy. You will be considered part of the quorum if you return a signed and dated proxy card, if you vote by telephone or the Internet, or if you vote in person at the annual meeting.

Abstentions and shares voted by a bank or broker holding shares for a beneficial owner are counted as present and entitled to vote for purposes of determining a quorum.

**Q8: What vote is required to approve each proposal? What is the effect of not voting?**

A8: ***To adopt the merger agreement:*** the affirmative vote of the holders of at least a majority of outstanding shares of AT&T common stock entitled to vote is required to adopt the merger agreement.

**Because the affirmative vote required to adopt the merger agreement is based upon the total number of outstanding shares of AT&T common stock, the failure to submit a proxy card (or to submit a proxy by telephone or by Internet or to vote in person at the annual meeting) or the abstention from voting by a shareholder will have the same effect as a vote against adoption of the merger agreement.** Brokers holding shares of AT&T common stock as nominees will not have discretionary authority to vote those shares in the absence of instructions from the beneficial owners of those shares, so the failure to provide voting instructions to your broker will also have the same effect as a vote against the merger.

***Election of directors:*** the nine nominees who receive the most votes cast by AT&T shareholders present in person at the meeting or represented by proxy will be elected. Any AT&T shares not voted (whether by abstention or otherwise) will have no impact on the vote.

***Ratification of Independent Auditors:*** this proposal requires the affirmative vote of the holders of at least a majority of the votes cast. Any AT&T shares not voted (whether by abstention or otherwise) will have no impact on the vote.

***AT&T shareholder proposals:*** approval of each of the six AT&T shareholder proposals requires the affirmative vote of the holders of at least a majority of the votes cast. Any AT&T shares not voted (whether by abstention or otherwise) will have no impact on the vote.

**Q9: What are the recommendations of the AT&T board of directors?**

A9: The AT&T board of directors recommends a vote **FOR:**  
adoption of the merger agreement;

the election of the nine nominees for director; and

the ratification of the appointment of the independent auditors.

The AT&T board of directors recommends a vote **AGAINST** each of the six AT&T shareholder proposals.

**Q10: What if I return my proxy but do not mark it to show how I am voting?**

A10: If your proxy card is signed and returned without specifying your choices, your shares will be voted according to the recommendations of the AT&T board of directors.

**Table of Contents**

**Q11: Can I change my vote *after* I have submitted a proxy by telephone or Internet or mailed my signed proxy card?**

A11: Yes. You can change your vote by revoking your proxy at any time before it is exercised at the AT&T annual meeting. You can revoke your proxy in one of four ways:

notify AT&T's Corporate Secretary in writing before the annual meeting that you are revoking your proxy;

submit another proxy with a later date;

vote again by telephone or the Internet; or

vote in person at the annual meeting.

**Q12: What if other items come up at the annual meeting and I am not there to vote?**

A12: When you return a signed and dated proxy card or provide your voting instructions by telephone or the Internet, you give the AT&T proxy committee (the members of which are listed on your proxy card) the discretionary authority to vote on your behalf on any other matter that is properly brought before the annual meeting.

**Q13: If I want to attend the annual meeting, what do I do?**

A13: You must come to [l], [l], at [l], local time, on [l], 2005. For further information please see Information about the AT&T Meeting What do I need to do if I wish to attend the AT&T annual meeting in person? on page 83.

**Q14: Who can help answer my additional questions about the merger or the AT&T annual meeting?**

A14: If you have questions about the merger or the annual meeting, you should contact:

Morrow & Co., Inc.

445 Park Avenue, 5th Floor

New York, New York 10022

(212) 754-8000

E-mail: [att.info@morrowco.com](mailto:att.info@morrowco.com)

Telephone: 1-800-206-5881



**Table of Contents**

**SUMMARY**

*This summary highlights selected information about the merger in this document and does not contain all of the information that may be important to you. You should carefully read this entire document and the other documents to which this document refers for a more complete understanding of the matters being considered at the annual meeting. See *Where You Can Find More Information* beginning on page 144. Unless we have stated otherwise, all references in this document to AT&T are to AT&T Corp., all references to SBC are to SBC Communications Inc., all references to Merger Sub are to Tau Merger Sub Corporation, and all references to the merger agreement are to the Agreement and Plan of Merger, dated as of January 30, 2005, among AT&T, SBC and Merger Sub, a copy of which is attached as Annex A to this document.*

**The Companies (Page 71)**

**AT&T.** AT&T was incorporated in 1885 under the laws of the State of New York. Its principal executive offices are at One AT&T Way, Bedminster, New Jersey 07921 and its telephone number at that address is 908-221-2000. AT&T maintains an internet website at **www.att.com**.

For more than a century AT&T has been known for quality and reliability in communications. Backed by the research and development capabilities of AT&T Labs, AT&T is a global leader in local, long distance, internet and transaction-based voice and data services. AT&T's primary business segments are AT&T Business Services and AT&T Consumer Services.

AT&T is one of the nation's largest business services communications providers, offering a variety of global communications services to over 2 million customers, including large domestic and multinational businesses, small and medium-sized businesses and government agencies. AT&T operates one of the largest telecommunications networks in the United States and, through its Global Network Services, provides an array of services and customized solutions in 60 countries and 850 cities worldwide.

AT&T is also a provider of domestic and international long distance and transaction based communications services to over 24 million residential stand alone long distance and bundled consumers in the U.S.

**SBC.** SBC is a holding company incorporated under the laws of the State of Delaware in 1983 and has its principal executive offices at 175 E. Houston, San Antonio, Texas 78205-2233 (telephone number 210-821-4105). SBC maintains an internet website at **www.sbc.com**.

SBC ranks among the largest providers of telecommunications services in the U.S. and the world. Through its subsidiaries and affiliates, it provides communications services and products in the U.S. and has investments in more than 14 countries. It offers its services and products to businesses and consumers, as well as other providers of telecommunications services, including local exchange services, wireless communications, long-distance services, internet services, telecommunications equipment, and directory advertising and publishing.

**As a Result of the Merger, AT&T will Become a Wholly Owned Subsidiary of SBC (Page 54)**

The merger agreement provides for the merger of Merger Sub, a wholly owned subsidiary of SBC, with and into AT&T. Following completion of the merger, AT&T will continue as the surviving corporation of the merger and will become a wholly owned subsidiary of SBC.

**In the Merger You Will Have the Right to Receive 0.77942 of a Share of SBC Common Stock for each Share of AT&T Common Stock that You Hold; In Addition, Assuming the Merger is Completed, AT&T Will Pay a Special Dividend of \$1.30 per Share to Holders of AT&T Common Stock (Page 54)**

In the merger, each share of AT&T common stock issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.77942 of a share of SBC common stock, which ratio is referred to in this document as the exchange ratio, together with any cash paid in lieu of a fractional share of SBC common stock.

## Table of Contents

You will not receive any fractional share of SBC common stock in the merger. Instead, SBC will pay you cash for any fractional share of SBC common stock you otherwise would have been entitled to receive based on the average closing price for a share of SBC common stock as reported on the New York Stock Exchange, which is referred to in this document as the NYSE, composite transactions reporting system for the 20 trading days ending on the fifth trading day prior to the closing date of the merger.

For example, if you own 100 shares of AT&T common stock, and the average closing price for a share of SBC common stock as reported on the NYSE composite transactions reporting system for the 20 trading days ending on the fifth trading day prior to the closing date of the merger was \$25.00, you will receive 77 shares of SBC common stock plus \$23.55 in cash (equal to 0.942 multiplied by \$25) in lieu of the fractional share of SBC common stock you would otherwise have been entitled to receive.

Immediately after the merger, former AT&T shareholders are expected to own approximately 16% of the outstanding shares of SBC common stock (following the issuance of shares of SBC common stock to the former AT&T shareholders and based on shares outstanding as of December 31, 2004) (without giving effect to shares of SBC common stock held by AT&T shareholders prior to the merger).

In addition, following the date of the adoption of the merger agreement by AT&T shareholders at the annual meeting and prior to the effective time of the merger, AT&T will declare a special dividend of \$1.30 per share payable to holders of record of outstanding shares as of a record date for the special dividend that will be set by the AT&T board of directors. Such special dividend will be paid prior to the effective time of the merger, and AT&T has agreed to use its reasonable best efforts to cause the special dividend to be paid on the closing date of the merger. **AT&T does not intend to pay the special dividend unless the merger is to be completed.**

### **The AT&T Board of Directors Recommends that Holders of AT&T Common Stock Vote to Adopt the Merger Agreement (Page 33)**

After careful consideration, the AT&T board of directors declared that the merger and the other transactions contemplated by the merger agreement, including the special dividend, are advisable and adopted the merger agreement. The AT&T board of directors recommends that holders of AT&T common stock vote **FOR** the adoption of the merger agreement.

The affirmative vote of the holders of at least a majority of the outstanding shares of AT&T common stock entitled to vote on adoption of the merger agreement is required to adopt the merger agreement. No vote of SBC stockholders is required (or will be sought) in connection with the merger.

In adopting the merger agreement and making its declaration and recommendation, the AT&T board of directors consulted with AT&T senior management and AT&T's financial and legal advisors and considered a number of strategic, financial and other considerations referred to under **The Merger** AT&T's Reasons for the Merger.

### **Opinions of AT&T's Financial Advisors (Page 35)**

In connection with the proposed merger, AT&T's financial advisors, Credit Suisse First Boston LLC, which is referred to in this document as CSFB, and Morgan Stanley & Co. Incorporated, which is referred to in this document as Morgan Stanley, each have delivered an opinion with respect to the fairness of the exchange ratio or consideration, as applicable, to be received by the holders of AT&T common stock in the merger. CSFB rendered its opinion that, as of January 30, 2005, the exchange ratio was fair, from a financial point of view, to holders of AT&T common stock and Morgan Stanley rendered its opinion that the consideration to be received by holders of AT&T common stock in accordance with the merger agreement was fair from a financial point of view to such holders other than SBC and its affiliates. For purpose of its analyses CSFB assumed that AT&T will declare a \$1.30 special cash dividend per share of AT&T common stock payable to the holders of AT&T common stock as of immediately prior to the consummation of the merger. In arriving at its opinion, Morgan Stanley assumed that the special cash dividend was part of the consideration. The full texts of the written opinions of CSFB and Morgan Stanley are attached as Annex B and Annex C,

**Table of Contents**

respectively, to this document. You are urged to read each of the opinions carefully and in its entirety for a description of the procedures followed, matters considered and limitations on the review undertaken. The opinions do not constitute a recommendation to any shareholder as to how they should vote or act on any matter relating to the merger.

**Treatment of AT&T Stock Options and Stock Based Awards (Page 56)**

In the merger, all outstanding AT&T employee stock options under AT&T's stock-based benefit plans and agreements will be converted into options to acquire shares of SBC common stock, with the number of shares of SBC common stock subject to option and the exercise price of the options adjusted to give effect to the exchange ratio of 0.77942 and an equitable adjustment to take into account the payment of the \$1.30 special dividend in respect of each share of AT&T common stock. Any AT&T stock-based awards, other than AT&T stock options, will be similarly converted into stock-based awards based on a number of shares of SBC common stock adjusted to give effect to the exchange ratio of 0.77942 and an equitable adjustment to take into account the payment of the \$1.30 special dividend in respect of each share of AT&T common stock.

**AT&T's Executive Officers and Directors Have Interests in the Merger that Differ from, or Are in Addition to, Your Interests in the Merger (Page 44)**

You should be aware that some of the directors and executive officers of AT&T have interests in the merger that are different from, or are in addition to, the interests of AT&T shareholders. These interests include, but are not limited to, the treatment of equity-based compensation awards held by directors and executive officers of AT&T in the merger, the continued employment of certain executive officers after the merger, severance benefits payable to certain executive officers whose employment is not continued after the merger, the continued positions of certain directors of AT&T as directors of SBC, and the indemnification of former AT&T directors by SBC.

**Material United States Federal Income Tax Consequences (Page 48)**

If the special dividend is paid by AT&T, it will be paid following the adoption of the merger agreement and prior to the effective time of the merger. Based on the advice of its counsel, Wachtell, Lipton, Rosen & Katz, AT&T intends to report the payment of the special dividend as a dividend for United States federal income tax purposes. Generally, individual holders who meet applicable holding period requirements for qualified dividends under the Internal Revenue Code of 1986, as amended, which is referred to in this document as the Code, will be taxed on the special dividend at a maximum federal income tax rate of 15%.

The merger has been structured to qualify as a reorganization under Section 368(a) of the Code for United States federal income tax purposes. It is a condition to the closing of the merger that AT&T and SBC will receive opinions from Wachtell, Lipton, Rosen & Katz and Sullivan & Cromwell LLP, respectively, dated as of the closing date of the merger, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and that each of SBC, AT&T and Merger Sub will be a party to such reorganization. In addition, in connection with the filing of the registration statement of which this document is a part, AT&T and SBC each will receive a legal opinion to the same effect.

Accordingly, if the merger is not restructured to include in the per share merger consideration the per share amount of the special dividend that would otherwise be payable, a holder of AT&T common stock will not recognize any gain or loss upon receipt of SBC common stock solely in exchange for AT&T common stock, except with respect to cash received in lieu of a fractional share of SBC common stock.

Alternatively, if the merger is restructured, in order to satisfy the tax opinion conditions of the merger agreement, to include in the per share merger consideration the per share amount of the special dividend that would otherwise be payable, the material United States federal income consequences to holders of AT&T common stock will be as follows. If the holder's adjusted tax basis in the AT&T common stock surrendered is less than the sum of the fair market value, as of the closing date of the merger, of the SBC common stock and the amount of cash received by the holder, then the holder will recognize gain in an amount equal to the lesser

**Table of Contents**

of (1) the sum of the amount of cash and the fair market value, as of the closing date of the merger, of the SBC common stock received, minus the adjusted tax basis of the AT&T common stock surrendered, and (2) the amount of cash received by the holder in the exchange. However, if a holder's adjusted tax basis in the AT&T common stock surrendered in the transaction is greater than the sum of the amount of cash and the fair market value of the SBC common stock received, the holder's loss will not be currently allowed or recognized for United States federal income tax purposes.

Holders should read *The Merger's Material United States Federal Income Tax Consequences* starting on page 48 for a more complete discussion of the United States federal income tax consequences of the special dividend and the merger. Holders are urged to consult with their tax advisors regarding the tax consequences of the special dividend and the merger to them, including the effects of United States federal, state and local, foreign and other tax laws.

**Procedures for Exchange of AT&T Common Stock for SBC Common Stock (Page 55)**

In most cases, because holders of AT&T common stock hold their stock in the form of uncertificated shares, the exchange agent will issue the shares of SBC common stock to which such holders are entitled against the cancelled shares of AT&T common stock as soon as practicable after the effective time of the merger without any further action on the part of those holders.

However, holders of AT&T share certificates that formerly represented a number of AT&T common shares prior to AT&T's one-for-five reverse stock split, effective November 19, 2002, will be required to surrender those share certificates against issuance of the number of shares of AT&T common stock after giving effect to the stock split, before they will be issued the number of shares of SBC common stock to which they are entitled in the merger. At any time after the effective time of the merger and prior to the surrender of such share certificates, the share certificates will be deemed to represent that number of shares of SBC common stock that the holder is entitled to receive in the merger.

**Following the Merger, You Will Be Entitled to Receive the Dividends SBC Pays on the SBC Common Stock (Page 56)**

After the merger, when and if declared by SBC's board of directors, you will receive any dividends SBC pays on its common stock. SBC's dividend payment made in the first quarter of 2005 was \$0.3225 per share. From January 1, 2004 through January 1, 2005, a stockholder of SBC would have had dividends paid in respect of its shares in an aggregate amount of \$1.26 per share.

**Accounting Treatment (Page 51)**

The merger will be accounted for as an acquisition of AT&T by SBC under the purchase method of accounting of U.S. generally accepted accounting principles.

**Regulatory Matters Related to the Merger (Page 52)**

*HSR Act and Antitrust.* The merger is subject to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which is referred to in this document as the HSR Act, which prevents SBC and AT&T from completing the merger until required information and materials are furnished to the Antitrust Division of the Department of Justice, which is referred to in this document as the DOJ, and the Federal Trade Commission, which is referred to in this document as the FTC, and the waiting period is terminated or expires. On February 22, 2005, SBC and AT&T filed the requisite Pre-Merger Notification and Report Forms under the HSR Act with the DOJ and the FTC. On March 24, 2005, the DOJ issued requests for additional information and documentary material to SBC and AT&T. The parties are now in the process of compiling this information and material. As a result, the waiting period applicable to the merger has been extended until 30 calendar days after both parties have certified that they have substantially complied with the requests.

## **Table of Contents**

*FCC Approval.* The Federal Communications Act of 1934, as amended, requires the approval of the Federal Communication Commission, which is referred to in this document as the FCC, prior to any transfer of control of certain types of licenses and other authorizations issued by the FCC. On February 22, 2005, SBC and AT&T filed applications for FCC consent to the transfer of control of AT&T and the AT&T subsidiaries that hold such licenses and authorizations to SBC. Applications for FCC consent are subject to public comment and objections and oppositions of third parties who may interpose objections. Comments on the applications are due on April 25, 2005, and reply comments are due on May 10, 2005. The FCC has set for itself a goal of completing action on transfer of control applications within 180 days of public notice of the application, which target completion date would be on or around September 7, 2005 for the applications filed by SBC and AT&T. However, no law or regulation requires the FCC to complete its action by that date, or any date, and the FCC acknowledges that more complex applications may take longer.

*State Regulatory Approvals.* AT&T and various of its subsidiaries hold certificates, licenses and service authorizations issued by the state public utility commissions, which are referred to in this document as the state PUCs. Approximately 22 state commissions and the District of Columbia commission require formal applications for the transfer of control of these certificates, licenses and authorizations to SBC. Applications for state approvals are subject to public comment and objections and oppositions of third parties who may interpose objections. In addition to these applications, SBC and AT&T will file notifications of the merger in the remaining states. In some of these states, the state PUCs could initiate proceedings in response to the notification. SBC and AT&T filed these state transfer applications and notifications with the state PUCs on February 28, 2005. Certain of these state PUCs have granted their approval as of the date of this document, while the other state PUCs are still reviewing the applications.

*Municipal Franchises.* The merger may require the approval of municipalities where AT&T holds franchises to provide communications and other services.

*Foreign and Certain Other Regulatory Matters.* SBC and AT&T will be required to obtain approval for the merger from, or provide notice of the merger to, governmental entities regulating competition and telecommunications businesses or the use of radio spectrum or regulating investment in certain countries outside the United States where AT&T conducts business.

The merger may be subject to certain regulatory requirements of other municipal, state, federal and foreign governmental agencies and authorities.

### **SBC and AT&T expect that the merger will be completed in late 2005 or early 2006 (Page 27)**

We expect to complete the merger after we receive AT&T shareholder approval at the annual meeting scheduled to be held on [1], 2005 and after we receive all required regulatory approvals. We currently expect to complete the merger in late 2005 or early 2006. However, it is possible that factors outside our control could require us to complete the merger at a later time or not to complete it at all. See The Merger Regulatory Matters Related to the Merger beginning on page 52.

### **You are not entitled to any Rights of Appraisal if you Dissent from the Merger (Page 53)**

Under New York law, the holders of AT&T common stock are not entitled to any rights of appraisal with respect to the merger.

### **The Merger Agreement (Page 54)**

The merger agreement is described beginning on page 54. The merger agreement also is attached as Annex A to this document. We urge you to read the merger agreement in its entirety because it contains important provisions governing the terms and conditions of the merger.

**Table of Contents**

**Acquisition Proposals (Page 62)**

Subject to specified legal and fiduciary exceptions, the merger agreement provides that neither AT&T nor any of its affiliates will, directly or indirectly:

initiate, solicit or knowingly encourage or facilitate any inquiries or the making of any proposal or offer, which we refer to as an acquisition proposal, with respect to

a merger, reorganization, share exchange, consolidation or similar transaction involving AT&T;

any purchase of an equity interest or interests representing, in the aggregate, an amount equal to or greater than a 15% voting or economic interest in AT&T; or

any purchase of assets, securities or ownership interests representing an amount equal to or greater than 15% of the consolidated assets of AT&T and its subsidiaries, taken as a whole.

have any discussions with, or provide any confidential information or data to, or engage in any negotiations with, any person relating to an acquisition proposal, or otherwise knowingly encourage or facilitate any effort or attempt by any person other than SBC and Merger Sub to make or implement an acquisition proposal.

**There are Conditions that Must be Satisfied or Waived Before SBC and AT&T are Required to Complete the Merger (Page 66)**

SBC, Merger Sub and AT&T are not required to complete the merger unless a number of conditions are satisfied or waived. These conditions include:

adoption of the merger agreement by holders of a majority of the outstanding shares of AT&T common stock entitled to vote on the matter;

expiration or early termination of the waiting period applicable to the consummation of the merger under the HSR Act;

if applicable, approval of the merger and the other transactions contemplated by the merger agreement by the European Commission, or the applicable governmental entity of any member state of the European Union to which the European Commission has referred the review;

approvals and authorizations required for transfer of AT&T's federal and state communications licenses;

any applicable governmental approvals in the U.K., Germany, Japan and Canada, plus other governmental approvals that, if not obtained, would:

reasonably be expected to result in a specified material adverse effect (as defined under "The Merger Agreement - Covenants and Agreements - Reasonable Best Efforts"); or

provide a reasonable basis to conclude that AT&T, SBC or their respective directors or officers would be subject to the risk of criminal liability;

absence of any order, injunction or similar action taken by a governmental entity that prohibits the merger, unless it would not reasonably be expected to have a specified material adverse effect or provide a reasonable basis to conclude that AT&T, SBC or their respective directors or officers would be subject to the risk of criminal liability;

the registration statement of which this document forms a part will have been declared effective by the SEC under the Securities Act and no stop order suspending its effectiveness will have been issued or threatened by the SEC; and

the shares of SBC common stock to be issued in the merger will have been authorized for listing on the NYSE upon official notice of issuance.



**Table of Contents**

In addition, SBC and Merger Sub are not required to complete the merger unless a number of further conditions are satisfied or waived. These conditions include:

Specified representations and warranties of AT&T must be true and correct in all material respects (as of the date of the merger agreement and as of the closing date, except to the extent that they expressly speak as of an earlier date, in which case such representation and warranty must be true and correct as of such earlier date) and the remainder must be true and correct (without giving effect to any materiality or material adverse effect qualifications) unless all the inaccuracies taken together would not have a material adverse effect on AT&T (as defined under The Merger Agreement Representations and Warranties ). One of the representations that must be true in all material respects is the representation that there has been no material adverse effect or any event, occurrence, discovery or development which would individually or in the aggregate reasonably be expected to result in a material adverse effect on AT&T since December 31, 2003;

AT&T must have performed in all material respects all obligations required to be performed by it under the merger agreement at or prior to the closing date;

no governmental entity of competent jurisdiction will have instituted any continuing proceeding seeking any order that restrains, enjoins or otherwise prohibits the consummation of the merger or the other transactions contemplated by the merger agreement, and no governmental entity will have instituted any civil, criminal or administrative proceeding which would, in the reasonable judgment of SBC, individually or in the aggregate, be reasonably likely to result in an order reasonably expected to have a specified material adverse effect or provide a reasonable basis to conclude that AT&T, SBC or their respective directors or officers would be subject to the risk of criminal liability;

All governmental consents must have been obtained (subject to certain exceptions). All governmental consents that have been obtained will have been obtained without the imposition of any condition which would reasonably be expected to result in a specified material adverse effect and all required governmental consents obtained from the FCC must have been obtained by a final order;

AT&T must have obtained the consent or approval of each person whose consent or approval will be required under any material contract to which AT&T or any of its subsidiaries is a party in connection with the transactions contemplated by the merger agreement (subject to certain exceptions), except where the failure to obtain such consent or approval, individually or in the aggregate, would not reasonably be expected to result in a material adverse effect; and

SBC must have received the opinion of Sullivan & Cromwell LLP, counsel to SBC, dated the closing date, to the effect that the merger will be treated for United States federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, and that each of SBC, Merger Sub and AT&T will be a party to that reorganization within the meaning of Section 368(b) of the Code.

In addition, AT&T is not required to complete the merger unless a number of further conditions are satisfied or waived. These conditions include:

Specified representations and warranties of SBC and Merger Sub must be true and correct in all material respects (as of the date of the merger agreement and as of the closing date, except to the extent that they expressly speak as of an earlier date, in which case such representation and warranty must be true and correct as of such earlier date) and the remainder must be true and correct (without giving effect to any materiality or material adverse effect qualifications) unless all the inaccuracies taken together would not have a material adverse effect on SBC;

Each of SBC and Merger Sub must have performed in all material respects all obligations required to be performed by it under the merger agreement at or prior to the closing date; and



AT&T must have received the opinion of Wachtell, Lipton, Rosen & Katz, counsel to AT&T, dated the closing date, to the effect that the merger will be treated for United States federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, and that each of SBC,

**Table of Contents**

Merger Sub and AT&T will be a party to that reorganization within the meaning of Section 368(b) of the Code.  
**Under Some Conditions SBC or AT&T May Terminate the Merger Agreement** (Page 68)

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger by mutual written consent of AT&T and SBC. Also, either AT&T or SBC may terminate the merger agreement if:

the merger is not consummated by January 31, 2006, unless the closing conditions with respect to certain orders of governmental entities and required governmental consents have not been satisfied by January 31, 2006, in which case SBC or AT&T may extend the termination date one or more times to a date not beyond July 31, 2006, provided that if a required governmental consent has been obtained but is not yet a final order, neither party may terminate the merger agreement prior to the 60th day after receipt of such required governmental consent;

the adoption of the merger agreement by AT&T shareholders was not obtained at the shareholders meeting or at any adjournment or postponement of such meeting; or

any order of a governmental entity permanently restraining, enjoining or otherwise prohibiting the consummation of the merger becomes final and non-appealable, except for any orders the existence of which would not result in the failure of the closing condition described in the fifth bullet point under "There are Conditions that Must be Satisfied or Waived Before SBC and AT&T are Required to Complete the Merger" above.

The foregoing rights to terminate the merger agreement will not be available to any party that has breached its obligations under the merger agreement in any manner that will have proximately contributed to the occurrence of the failure of a condition to the consummation of the merger.

In addition, the merger agreement may be terminated and the merger may be abandoned prior to the effective time of the merger by the AT&T board of directors if the AT&T board of directors (after complying with its obligations under the merger agreement) authorizes AT&T to enter into a binding written agreement concerning a transaction that constitutes a superior proposal to the merger and AT&T pays the termination fee to SBC or if there has been a breach of any representation, warranty, covenant or agreement made by SBC or Merger Sub that is not curable by the termination date.

Furthermore, the merger agreement may be terminated and the merger may be abandoned prior to the effective time of the merger agreement by SBC's board of directors if:

the board of directors of AT&T has withdrawn, modified or qualified, or has agreed to withdraw, modify or qualify, in fact or in substance, its adoption of the merger agreement or its recommendation of the merger in a manner adverse to SBC;

there has been a breach of any representation, warranty, covenant or agreement made by AT&T that is not curable by the termination date;

by the later of 120 days after the date of the merger agreement or 60 days after effectiveness of the registration statement of which this document forms a part, AT&T's shareholders meeting has not been held, or the vote of AT&T's shareholders has not been taken, unless AT&T has used its reasonable best efforts to convene the shareholders meeting and hold such vote by the later of such dates; or

AT&T knowingly and materially and not inadvertently breaches its obligations under the merger agreement relating to acquisition proposals.

**Table of Contents**

**Under Some Circumstances AT&T Will Be Required to Pay a Termination Fee to SBC if the Merger Agreement is Terminated (Page 69)**

AT&T is required to pay SBC a termination fee of \$560 million and all documented out-of-pocket expenses incurred by SBC or Merger Sub in connection with the merger (subject to a cap of \$40 million), if:

a bona fide acquisition proposal, but substituting 40% for the 15% thresholds described under The Merger Agreement Covenants and Agreements Acquisition Proposals, has been made to AT&T or any of its subsidiaries or its shareholders and such proposal becomes publicly known, or any person publicly announces an intention, whether or not conditional, to make such a proposal with respect to AT&T or any of its subsidiaries, and such proposal or announced intention are not withdrawn at the time of the AT&T shareholders meeting, and either SBC or AT&T terminates the merger agreement because the adoption of the merger agreement by AT&T shareholders was not obtained at the shareholders meeting or at any adjournment or postponement of such meeting, or

SBC terminates the merger agreement because by the later of 120 days after the date of the merger agreement or 60 days after effectiveness of the registration statement of which this document forms a part, AT&T's shareholders meeting has not been held, or the vote of AT&T's shareholders has not been taken (unless AT&T has used its reasonable best efforts to convene the shareholders meeting and hold the vote by the later of those dates);

Provided that AT&T will not have to pay the termination fee to SBC, but will be obligated to pay all documented out-of-pocket expenses incurred by SBC or Merger Sub in connection with the merger (subject to a cap of \$40 million), unless and until:

any person (other than SBC) has acquired, in one or a series of related transactions, within 15 months of the termination, a majority of the voting power of the outstanding securities of AT&T or all or substantially all of AT&T's assets or has entered into an agreement with AT&T for such an acquisition within 15 months of the termination; or

a merger, consolidation or similar business combination has been consummated between AT&T or one of its subsidiaries and an acquiring person (other than SBC) within 15 months of the termination of the merger agreement.

SBC terminates the merger agreement because the board of directors of AT&T has withdrawn, modified or qualified, or has agreed to withdraw, modify or qualify, in fact or in substance, its adoption of the merger agreement or its recommendation of the merger in a manner adverse to SBC and, at the time of the withdrawal, modification or qualification of the adoption of the merger agreement or the recommendation of the merger (or the agreement to do so), a bona fide acquisition proposal described in the first bullet point of this section (or any bona fide indication of interest that is reasonably capable of becoming such a bona fide acquisition proposal) has been made to AT&T or any of its subsidiaries or its shareholders, directly or indirectly through any representatives of AT&T, or any person has publicly announced an intention (whether or not conditional) to make such a bona fide acquisition proposal with respect to AT&T or any of its subsidiaries;

SBC terminates the merger agreement because AT&T knowingly and materially and not inadvertently breaches its obligations under the merger agreement relating to acquisition proposals; or

AT&T terminates the merger agreement because its board of directors authorizes AT&T to enter into a binding written agreement concerning a transaction that constitutes a superior proposal.

**Comparison of Stockholder Rights (Page 126)**

The conversion of your shares of AT&T common stock into the right to receive shares of SBC common stock in the merger will result in differences between your rights as an AT&T shareholder, which are governed by the New York Business Corporation Law and AT&T's restated certificate of incorporation and by-laws, and your rights as an SBC stockholder, which are governed by the Delaware General Corporation Law and SBC's restated certificate of

incorporation and by-laws.

**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA OF SBC**

The following statements of operations data for each of the three years in the period ended December 31, 2004 and the balance sheet data as of December 31, 2004 and 2003 have been derived from SBC's audited consolidated financial statements contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which are incorporated into this document by reference. The statements of operations data for the years ended December 31, 2001 and 2000 and the balance sheet data as of December 31, 2002, 2001 and 2000 have been derived from SBC's audited consolidated financial statements for such years, which have not been incorporated into this document by reference.

You should read this selected historical financial data together with the financial statements that are incorporated by reference in this document and their accompanying notes and management's discussion and analysis of operations and financial condition of SBC contained in such reports.

**Year Ended December 31,**

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
	<b>(\$ in millions, except per share data)</b>				
Operating revenues	\$ 40,787	\$ 40,498	\$ 42,821	\$ 45,381	\$ 50,881
Operating income	5,901	6,284	8,438	10,296	10,303
Income from continuing operations	4,979	5,859	7,361	6,881	7,696
Earnings per common share:					
Income from continuing operations	\$ 1.50	\$ 1.77	\$ 2.21	\$ 2.04	\$ 2.27
Earnings per common share assuming dilution:					
Income from continuing operations	\$ 1.50	\$ 1.76	\$ 2.20	\$ 2.03	\$ 2.24
Total assets	\$ 108,844	\$ 100,233	\$ 95,170	\$ 96,416	\$ 98,735
Long-term debt	21,231	16,097	18,578	17,153	15,513
Dividends declared per common share(1)	\$ 1.26	\$ 1.41	\$ 1.08	\$ 1.025	\$ 1.015
Book value per common share	\$ 12.27	\$ 11.57	\$ 10.01	\$ 9.82	\$ 9.09
Ratio of earnings to fixed charges(2)	6.32	6.35	6.20	5.83	6.73
Debt ratio(3)	40.0%	32.0%	39.9%	44.3%	45.0%
Operating Data:					
Number of Employees	162,700	168,950	175,980	193,420	220,090

(1) Dividends declared by SBC's board of directors reflect the following: in 2003, includes three additional dividends totaling \$0.25 per share above SBC's regular quarterly dividend payout.

(2) The computation of ratio of earnings to fixed charges is included as Exhibit 12 to the registration statement of which this document forms a part.

(3) Debt ratio reflects debt as a percentage of total capital calculated as follows:

	2004	2003	2002	2001	2000
	(\$ in millions)				
Total Debt	26,965	17,976	22,083	26,186	25,983
Total Equity(a)	40,504	38,248	33,199	32,919	31,782
Total Capital (debt plus equity)	67,469	56,224	55,282	59,105	57,765
Debt as percentage of total capital	40.0%	32.0%	39.9%	44.3%	45.0%

(a) Total equity in 2000 includes Corporation-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts of \$1,000.

**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA OF AT&T**

The following results of operations data for each of the three years in the period ended December 31, 2004 and the balance sheet data as of December 31, 2004 and 2003 have been derived from AT&T's audited consolidated financial statements contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which are incorporated into this document by reference. The results of operations data for the years ended December 31, 2001 and 2000 and the balance sheet data as of December 31, 2002, 2001 and 2000 have been derived from AT&T's audited consolidated financial statements for such years, which have not been incorporated into this document by reference.

You should read this selected historical financial data together with the financial statements that are incorporated by reference in this document and their accompanying notes and management's discussion and analysis of operations and financial condition of AT&T contained in such reports.

	2004	2003	2002	2001	2000
(\$ in millions, except per share data)					
<b>RESULTS OF OPERATIONS DATA:</b>					
Revenue	\$ 30,537	\$ 34,529	\$ 37,827	\$ 42,197	\$ 46,850
Operating (loss) income	(10,088)	3,657	4,361	7,832	12,793
(Loss) income from continuing operations	(6,469)	1,863	963	(2,640)	9,532
(Loss) Income from Continuing Operations and (Loss) Earnings per Share:					
AT&T Common Stock Group(1)					
(Loss) income	\$ (6,469)	\$ 1,863	\$ 963	\$ 71	\$ 8,044
(Loss) earnings per basic share	(8.14)	2.37	1.29	(0.91)	11.54
(Loss) earnings per diluted share	(8.14)	2.36	1.26	(0.91)	11.01
Cash dividends declared per share	0.95	0.85	0.75	0.75	3.4875
Liberty Media Group(1)					
(Loss) income				(2,711)	1,488
(Loss) earnings per basic and diluted share				(1.05)	0.58
<b>BALANCE SHEET DATA:</b>					
Property, plant and equipment, net	\$ 11,509	\$ 24,376	\$ 25,604	\$ 26,803	\$ 26,083
Total assets continuing operations	32,804	47,988	55,437	62,329	90,293
Total assets	32,804	47,988	55,437	165,481	242,802
Long-term debt	8,779	13,066	18,812	24,025	13,572
Total debt	10,665	14,409	22,574	34,159	42,338
Shareowners' equity	7,019	13,956	12,312	51,680	103,198
Debt ratio(2)	60.3%	50.8%	64.7%	86.3%	122.1%
<b>OTHER INFORMATION:</b>					
Number of employees continuing operations(3)	47,600	61,600	71,000	77,700	84,800

(1) In connection with the March 9, 1999 merger with Tele-Communications, Inc., AT&T issued separate tracking stock for Liberty Media Group (LMG). LMG was accounted for as an equity investment prior to its split-off from AT&T on August 10, 2001. There were no dividends declared for LMG tracking stock. AT&T Common Stock Group results exclude LMG.

(2) Debt ratio reflects debt from continuing operations as a percentage of total capital, calculated as follows:

	2004	2003	2002	2001	2000
	(\$ in millions)				
Total debt	\$ 10,665	\$ 14,409	\$ 22,574	\$ 34,159	\$ 42,338
Equity:					
Total shareowners equity	7,019	13,956	12,312	51,680	