SBC COMMUNICATIONS INC
Form DEF 14A
March 11, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [_]

Check the appropriate box:

[_] Preliminary Proxy Statement

[_] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[_] Definitive Additional Materials

[_] Soliciting Material Pursuant to (S)240.14a-12

SBC Communications Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[_] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

[_] Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

LOGO

[LOGO] SBC Communications Inc.

Notice of
Annual Meeting of Stockholders

The 2005 Annual Meeting of Stockholders of SBC Communications Inc. ("SBC"), a Delaware corporation, will be held at 9:00 a.m. Central Time on Friday, April 29, 2005, at the Alzafar Shrine Temple, 901 North Loop 1604 West, San Antonio, Texas. The items of business are:

. Election of 14 Directors
. Approval of appointment of Ernst & Young LLP as independent auditors of SBC for 2005
. Approval of Stock Purchase and Deferral Plan, and
. Act upon such other matters, including certain stockholder proposals if submitted, as may properly come before the meeting.

Holders of SBC common stock of record at the close of business on March 1, 2005, are entitled to vote at the meeting and any adjournment of the meeting. A list of these stockholders will be available for inspection during business hours from April 14 through April 28, 2005, at 175 E. Houston, San Antonio, Texas, and will also be available at the Annual Meeting.

By Order of the Board of Directors.

/s/ Joy Rick
Joy Rick
Vice President and Secretary
March 11, 2005

IMPORTANT NOTICE

If you do not plan to attend the Annual Meeting to vote your shares, please complete, date, sign and promptly mail the enclosed proxy card in the return envelope provided. No postage is necessary if it is mailed in the United States. Stockholders of record may also give their proxy by telephone or through the Internet in accordance with the instructions accompanying the proxy card. Any person giving a proxy has the power to revoke it at any time, and stockholders who are present at the meeting may withdraw their proxies and vote in person.

[LOGO] SBC Communications Inc.

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of SBC Communications Inc. ("SBC") for use at the 2005 Annual Meeting of Stockholders of SBC. The meeting will be held at 9:00 a.m. Central Time on Friday, April 29, 2005, at the Alzafar Shrine Temple, 901 North Loop 1604 West, San Antonio, Texas. The purposes of the meeting are set forth in the Notice of Annual Meeting of Stockholders. This Proxy Statement and the accompanying proxy card are being mailed beginning March 11, 2005, to stockholders of record of SBC's common stock, $1.00 par value per share, at the close of business on March 1, 2005. Each share entitles the registered holder to one vote. As of January 31, 2005, there were 3,302,810,791 shares of SBC common stock outstanding.

All shares represented by proxies will be voted by one or more of the persons designated on the enclosed proxy card in accordance with the stockholders' directions. If the proxy card is signed and returned without specific directions with respect to the matters to be acted upon, the shares will be voted in accordance with the recommendations of the Board of Directors. Any stockholder giving a proxy may revoke it at any time before such proxy is voted at the meeting by giving written notice of revocation to the Vice President and Secretary of SBC, by submitting a later-dated proxy, or by attending the meeting and voting in person. The Chairman of the Board and Chief Executive Officer will announce the closing of the polls during the Annual Meeting. Proxies must be received prior to the closing of the polls in order to be counted.

Instead of submitting a signed proxy card, stockholders may submit their proxies by telephone or through the Internet using the instructions accompanying the proxy card. Telephone and Internet proxies must be used in conjunction with, and will be subject to, the information and terms contained on the proxy card. Similar procedures may also be available to stockholders who hold their shares through a broker, nominee, fiduciary or other custodian.

The proxy card, or a proxy submitted by telephone or through the Internet, will also serve as voting instructions to the plan administrator or trustee for any shares held on behalf of a participant under any of the following employee benefit plans: the SBC Savings Plan, the SBC Savings and Security Plan, the Old Heritage Advertising & Publishers, Inc. Profit Sharing Plan, the SBC PAYSOP, the Pacific Telesis Group Employee Stock Ownership Plan, the Tax Reduction Act Stock Ownership Plan (the "TRASOP") sponsored by The Southern New England Telephone Company, the Cingular Wireless 401(k) Savings Plan, and the Cingular Wireless 401(k) Savings Plan for Bargained Employees. Shares in each of the foregoing employee benefit plans (except the Old Heritage plan) for which voting instructions are not received, subject to the trustees' fiduciary obligations, will be voted by the trustees in the same proportion as the shares for which voting instructions are received from other participants in each such plan. For shares held in the Old Heritage plan, the trustee has discretionary authority to vote the shares for which no voting instructions are received. To allow sufficient time for voting by the trustees and/or administrators of the plans, your voting instructions must be received by April 26, 2005.

In addition, the proxy card or a proxy submitted by telephone or through the Internet will constitute voting instructions to the plan administrator pursuant to The DirectSERVICE Investment Program sponsored and administered by EquiServe Trust Company, N.A. (SBC's transfer agent) for shares held on behalf of plan participants.

If a stockholder participates in these plans and/or maintains stockholder accounts under more than one name (including minor differences in registration, such as with or without a middle initial), the stockholder may receive more than one set of proxy materials. To ensure that all shares are voted, please sign and return every proxy card received or submit a proxy by telephone or through the Internet for each proxy card.

Only one annual report and one Proxy Statement are being delivered to multiple stockholders sharing an address, unless SBC has received contrary instructions from one or more of the stockholders at that address. Stockholders may request a separate copy of the most recent annual report and/or the Proxy Statement by writing the transfer agent at: EquiServe Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078, or by calling (800) 351-7221. Stockholders calling from outside the United States may call (816) 843-4280. Requests will be responded to promptly. Stockholders sharing an address who desire to receive multiple copies, or who wish to

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receive only a single copy, of the annual report and/or the Proxy Statement may write or call the transfer agent at the above address or phone numbers to request a change.

A stockholder may designate a person or persons other than those persons designated on the proxy card to act as the stockholder's proxy by striking out the name(s) appearing on the enclosed proxy card, inserting the name(s) of another person(s) and delivering the signed card to such person(s). The person(s) designated by the stockholder must present the signed proxy card at the meeting in order for the shares to be voted.

Where the stockholder is not the record holder, such as where the shares are held through a broker, nominee, fiduciary or other custodian, the stockholder must provide voting instructions to the record holder of the shares in accordance with the record holder's requirements in order to ensure the shares are properly voted.

The cost of soliciting proxies will be borne by SBC. Officers, agents and employees of SBC and its subsidiaries and other solicitors retained by SBC may, by letter, by telephone or in person, make additional requests for the return of proxies and may receive proxies on behalf of SBC. Brokers, nominees, fiduciaries and other custodians will be requested to forward soliciting material to the beneficial owners of shares and will be reimbursed for their expenses. SBC has retained D. F. King & Co., Inc. to aid in the solicitation of proxies at a fee of $15,000, plus expenses.

Stockholders who represent 40% of the common stock outstanding and are entitled to vote must be present or represented by proxy in order to constitute a quorum to conduct business at the meeting. A list of eligible voters will be available at the Annual Meeting.

If you plan to attend the meeting in person, please bring the admission ticket (which is attached to the proxy card) to the Annual Meeting. If you do not have an admission ticket, you will be admitted upon presentation of identification at the door.

SBC's executive offices are located at 175 E. Houston, San Antonio, Texas 78205.

Your vote is important. Please sign, date and return your proxy card or submit your proxy and/or voting instructions by telephone or through the Internet promptly so that a quorum may be represented at the meeting.

BOARD OF DIRECTORS

The Board of Directors is responsible for the management and direction of SBC and for establishing broad corporate policies. The Board of Directors and various committees of the Board regularly meet to receive and discuss operating and financial reports presented by the Chairman of the Board and Chief Executive Officer as well as reports by experts and other advisors. Corporate review sessions are also offered to Directors to help familiarize them with SBC's businesses, technology, and operations. Members of the Board are encouraged to attend Board meetings in person, unless the meeting is held by teleconference. The Board held 11 meetings in 2004. Similarly, Directors are expected to attend the Annual Meeting absent unusual circumstances, although SBC has no formal policy on the matter. All of the Directors except one attended the 2004 Annual Meeting.

At least four times a year, the non-employee members of the Board of Directors meet in executive session, i.e., with no employee Directors or management personnel present. August A. Busch III has been appointed the Lead Director to preside over these meetings. Interested persons may contact the Lead Director or the non-employee Directors by sending written comments through the Office of the Secretary of the company. The Office will either forward the original materials as addressed or provide Directors with summaries of the submissions, with the originals available for review at the Directors' request.

Under SBC's Bylaws, the Board of Directors has the authority to determine the size of the Board and to fill vacancies. Currently, the Board is comprised of 16 Directors, one of whom is an executive officer of SBC. Current Directors Clarence C. Barksdale and William P. Clark will retire from service on the Board of Directors at the 2005 Annual Meeting and will not stand for re-election. As a result of their upcoming retirements, the Board voted to reduce the size of the Board of Directors to 14 Directors, effective immediately before the 2005 Annual Meeting. There are no vacancies on the Board.

In January SBC entered into an agreement and plan of merger with AT&T Corp., whereby AT&T Corp. would become a wholly-owned subsidiary of SBC. SBC has agreed that upon closing of the merger it will appoint to the SBC Board of Directors David W. Dorman and two other members of the AT&T Board who will be mutually selected by SBC and AT&T. Mr. Dorman is currently the Chairman and Chief Executive Officer of AT&T Corp. Because the merger is not expected to close prior to the date of SBC's 2005 Annual Meeting, these individuals will not be nominated for election at that meeting.

At the 2004 Annual Meeting, the stockholders approved a Bylaw amendment, proposed by the Board of Directors, to eliminate the classified Board structure and require that all Directors be elected annually, beginning in 2005. As a result, the terms of each of the Directors will expire at the 2005 Annual Meeting. The Board of Directors has nominated the 14 persons listed as nominees, each of whom is an incumbent Director, for election at the 2005 Annual Meeting to one-year terms of office expiring at the 2006 Annual Meeting. Biographical information about the Directors is provided on pages 10-16. Holdings of SBC common stock by SBC Directors are shown on the table on page 19.

The Corporate Governance and Nominating Committee is responsible for identifying candidates who are eligible under the qualification standards set forth in SBC's Corporate Governance Guidelines to serve as members of the Board. It is authorized to retain search firms and other consultants to assist it in identifying candidates and fulfilling its other duties. The Committee is not limited to any specific process in identifying candidates and will consider candidates suggested by stockholders. Candidates are recommended to the Board after consultation with the Chairman of the Board. In recommending Board candidates, the Committee considers a candidate's: (1) general understanding of elements relevant to the success of a large publicly traded company in the current business environment, (2) understanding of SBC's business, and (3) educational and professional background. The Committee also gives consideration to a candidate's judgment, competence, anticipated participation in Board activities, experience, geographic location and special talents or personal attributes. Stockholders who wish to suggest qualified candidates should write to the Vice President and Secretary, SBC Communications Inc., 175 E. Houston, San Antonio, Texas 78205, stating in detail the qualifications of such persons for consideration by the Committee.

. Board Committees

From time to time the Board establishes permanent standing committees and temporary special committees to assist the Board in carrying out its responsibilities. The Board has established seven standing committees of Directors, the principal responsibilities of which are described below. The charters for each of these committees may be found on SBC's website: http://www.sbc.com. The biographical information included later in this Proxy Statement identifies committee memberships held by each Director.

Audit Committee--The Committee met eight times in 2004. It consists of four non-employee Directors. The Audit Committee oversees the integrity of the financial statements of SBC, the independent auditor's qualifications and independence, the performance of the internal audit function and independent auditors, and the compliance by SBC with legal and regulatory matters. The Committee is responsible for the appointment, compensation, retention and oversight of the work of the independent auditor. The independent auditing firm examines the accounting records of SBC and its subsidiaries.

Corporate Development Committee--The Committee met four times in 2004. It consists of five non-employee Directors and one employee Director. The Committee reviews mergers, acquisitions, dispositions, and similar transactions.

Corporate Governance and Nominating Committee--The Committee met five times in 2004 and consists of five non-employee Directors. It is responsible for recommending candidates to be nominated by the Board for election by the stockholders or to be appointed by the Board of Directors to fill vacancies consistent with the criteria approved by the Board, periodically assessing SBC's Corporate Governance Guidelines and making recommendations to the Board for amendments, recommending to the Board the compensation of Directors, taking a leadership role in shaping corporate governance, and overseeing an annual evaluation of the Board.

Executive Committee--The Committee did not meet in 2004. It consists of six non-employee Directors, each of whom is the chairperson of a standing committee, and the Chairman of the Board. The Committee assists the Board of Directors by acting upon matters when the Board is not in session. The Committee has the full power and authority of the Board to the extent permitted by law, including the power and authority to declare a dividend or to authorize the issuance of common stock.

Finance/Pension Committee--The Committee met four times in 2004. It consists of six non-employee Directors and one employee Director. The Committee assists the Board in its oversight of SBC's finances, the payment by SBC of dividends, and SBC's investment policies.

Human Resources Committee--The Committee met five times in 2004. It consists of four non-employee Directors. The Committee oversees the management of human resources activities of SBC, including the design of employee benefit plans. The Committee is also responsible for establishing the compensation of the Chief Executive Officer and other officers, as determined by the Committee.

Public Policy and Environmental Affairs Committee--The Committee met three times in 2004. It consists of six non-employee Directors. The Committee assists the Board in its oversight of corporate policies, including legislative matters and environmental matters.

. Independence of Directors

The New York Stock Exchange ("NYSE") has recently adopted new independence standards for companies listed on the NYSE, including SBC. These standards require a majority of the Board to be independent and every member of each of the Audit Committee, Human Resources Committee, and Corporate Governance and Nominating Committee to be independent. A Director is considered independent only if the Board of Directors "affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the company)." In addition, the Board of Directors has adopted certain additional standards for determining the independence of its members. In accordance with the following standards of the NYSE, a Director is not independent if:

- The Director is, or has been within the last three years, an employee of SBC, or an immediate family member is, or has been within the last three years, an executive officer, of SBC.

- The Director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than $100,000 in direct compensation from SBC, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

- (A) The Director or an immediate family member is a current partner of a firm that is SBC's internal or external auditor; (B) the Director is a current employee of such a firm; (C) the Director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) The Director or an immediate family member was within the last three years (but is no longer) a partner or an employee of such a firm and personally worked on SBC's audit within that time period.

- The Director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of SBC's present executives officers at the same time serves or served on that company's compensation committee.

- The Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, SBC for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of such other company's consolidated gross revenues.

The following are additional standards for determining independence of Directors, established by the SBC Board of Directors:

- A Director who owns, together with any ownership interests held by members of the Director's immediate family, 10% of another company that makes payments to, or receives payments from, SBC (together with its consolidated subsidiaries) for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million or 2% of such other company's consolidated gross revenues, is not independent until three years after falling below such threshold.

- A Director who is, or whose immediate family member is, a director, trustee or officer of a charitable organization, or holds a similar position with such an organization, and SBC (together with its consolidated subsidiaries) makes contributions to the charitable organization in an amount which exceeds, in any single fiscal year, the greater of $1 million per year or at least 5% of such organization's consolidated gross revenues, is not independent until three years after falling below such threshold.

The Board of Directors, using the above standards for determining the independence of its members, has determined that the following Directors are independent: Gilbert F. Amelio, Clarence C. Barksdale, August A. Busch III, William P. Clark, Martin K. Eby, Jr., James A. Henderson, Lynn M. Martin, John B. McCoy, Mary S. Metz, S. Donley Ritchey, Joyce M. Roche, Laura D'Andrea Tyson, and Patricia P. Upton. In addition, the Board has determined that every member of the Audit Committee, the Human Resources Committee and the Corporate Governance and Nominating Committee is independent.

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ELECTION OF DIRECTORS

[PHOTO]

EDWARD E. WHITACRE, JR., age 63, is Chairman of the Board and Chief Executive Officer of SBC and has served in this capacity since January 1990. Mr. Whitacre has been a Director of SBC since October 1986. He is the Chairman of the Executive Committee and a member of the Corporate Development Committee and the Finance/Pension Committee. He is a Director of Anheuser-Busch Companies, Inc. and Burlington Northern Santa Fe Corporation.

[PHOTO]

GILBERT F. AMELIO, age 62, is Senior Partner of Sienna Ventures (a privately-held venture capital firm), Sausalito, California, and has served in this capacity since April 2001. Dr. Amelio is also Chairman and Chief Executive Officer of Beneventure Capital, LLC (a full-service venture capital firm), San Francisco, California, and has served as such since 1999 and was Principal of Aircraft Ventures, LLC (a consulting firm), Newport Beach, California, from April 1997 to December 2004. In 2003, AmTech, LLC (a high technology investments and consulting services firm), where Dr. Amelio served as Chairman and Chief Executive Officer from 1999 to April 2004, declared bankruptcy. Dr. Amelio was elected a Director of SBC in February 2001 and had previously served as an Advisory Director of SBC from April 1997 to February 2001. He served as a Director of Pacific Telesis Group from 1995 until the company was acquired by SBC in 1997. He is a member of the Audit Committee and the Human Resources Committee. Dr. Amelio is a Director of SiVault Systems, Inc.

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[PHOTO]

AUGUST A. BUSCH III, age 67, is Chairman of the Board of Anheuser-Busch Companies, Inc. (a brewing, packaging, and family entertainment holding company), St. Louis, Missouri, and has served in this capacity since 1977. Mr. Busch also served as Chief Executive Officer of Anheuser-Busch Companies, Inc. from 1975 until June 2002. Mr. Busch has been a Director of SBC since October 1983. He served as a Director of Southwestern Bell Telephone Company from 1980 to 1983. He is the Chairman of the Corporate Governance and Nominating Committee and a member of the Corporate Development Committee and the Executive Committee. Mr. Busch is a Director of Anheuser-Busch Companies, Inc. and Emerson Electric Co.; and an Advisory Member of the Board of Directors of Grupo Modelo, S.A. de C.V.

[PHOTO]

MARTIN K. EBY, JR., age 70, retired. Mr. Eby was Chairman of the Board of The Eby Corporation (a commercial general contractor holding company), Wichita, Kansas, from April 1979 until his retirement in July 2004. Mr. Eby was also President and Chief Executive Officer of The Eby Corporation from June 1967 to December 1997. He has been a Director of SBC since June 1992. He is a member of the Audit Committee and the Human Resources Committee.

[PHOTO]

JAMES A. HENDERSON, age 70, retired. Mr. Henderson was Chairman of the Board from 1995 and Chief Executive Officer from 1994 of Cummins Inc. (manufacturer of diesel and natural gas engines), Columbus, Indiana, until his retirement in December 1999. Mr. Henderson has been a Director of SBC since October 1999. He served as a Director of Ameritech Corporation from 1983 until the company was acquired by SBC in 1999. He also served as a Director of Indiana Bell Telephone Company (which became a subsidiary of Ameritech) from 1978 until 1983. He is the Chairman of the Human Resources Committee and a member of the Executive Committee and the Finance/Pension Committee. Mr. Henderson is a Director of International Paper Company; Nanophase Technologies Corporation; Rohm and Haas Company; and Ryerson Tull, Inc.

[PHOTO]

CHARLES F. KNIGHT, age 69, retired. Mr. Knight was Chairman of the Board of Emerson Electric Co. (manufacturer of electrical and electronic equipment), St. Louis, Missouri, from 1974 until his retirement in September 2004, when he was elected to the honorary position of Chairman Emeritus. Mr. Knight was also Chief Executive Officer of Emerson Electric Co. from 1973 to 2000. He has been a Director of SBC since October 1983. He served as a Director of Southwestern Bell Telephone Company from 1974 to 1983. He is the Chairman of the Corporate Development Committee and a member of the Executive Committee and the Finance/Pension Committee. Mr. Knight is a Director of Anheuser-Busch Companies, Inc.; BP p.l.c.; International Business Machines Corporation; and Morgan Stanley.

[PHOTO]

LYNN M. MARTIN, age 65, is Chair of the Council for the Advancement of Women and Advisor to the firm of Deloitte & Touche LLP (an auditing and management consulting services firm), Chicago, Illinois, and has served in this capacity since 1993. She has also been President of The Martin Hall Group, LLC (a human resources consulting firm), Chicago, Illinois, since January 2005. Ms. Martin served as U.S. Secretary of Labor from 1991 to 1993 and as a member of the U.S. House of Representatives from Illinois from 1981 to 1991. Ms. Martin has been a Director of SBC since October 1999. She served as a Director of Ameritech Corporation from 1993 until the company was acquired by SBC in 1999. She is a member of the Finance/Pension Committee and the Public Policy and

Environmental Affairs Committee. She is a Director of Constellation Energy Group, Inc.; certain Dreyfus Funds; The Procter & Gamble Company; and Ryder System, Inc.

[PHOTO]

JOHN B. MCCOY, age 61, retired. Mr. McCoy was Chairman from November 1999 and Chief Executive Officer from October 1998 of BANK ONE CORPORATION (commercial and consumer bank) until his retirement in December 1999, and Chairman and Chief Executive Officer of its predecessor, BANC ONE CORPORATION, from 1987 to 1998. Mr. McCoy has been a Director of SBC since October 1999. He served as a Director of Ameritech Corporation from 1991 until the company was acquired by SBC in 1999. He is the Chairman of the Finance/Pension Committee and a member of the Corporate Governance and Nominating Committee and the Executive Committee. He is a Director of Cardinal Health, Inc.; ChoicePoint Inc.; and Federal Home Loan Mortgage Corporation.

[PHOTO]

MARY S. METZ, age 67, is Chair of the Board of Trustees of American Conservatory Theater (a nonprofit nationally renowned theater and an accredited conservatory), San Francisco, California, and has served in this capacity since November 2004. Dr. Metz is also President Emerita of Mills College. She was President of S. H. Cowell Foundation, San Francisco, California, from January 1999 until her retirement in March 2005 and was Dean of the University Extension of the University of California, Berkeley, from 1991 until 1998. Dr. Metz has been a Director of SBC since April 1997. She served as a Director of Pacific Telesis Group from 1986 until the company was acquired by SBC in 1997. She is a member of the Corporate Governance and Nominating Committee and the Public Policy and Environmental Affairs Committee. Dr. Metz is a Director of Longs Drug Stores Corporation; Pacific Gas and Electric Company; and UnionBanCal Corporation.

[PHOTO]

TONI REMBE, age 68, retired. Ms. Rembe was a partner in the law firm of Pillsbury Winthrop LLP, San Francisco, California, from 1971 until her retirement in December 2004. Ms. Rembe was elected a Director of SBC in January 1998 and had previously served as an Advisory Director of SBC from April 1997 to January 1998. She served as a Director of Pacific Telesis Group from 1991 until the company was acquired by SBC in 1997. She is a member of the Corporate Development Committee and the Public Policy and Environmental Affairs Committee. Ms. Rembe is a Director of AEGON N.V.

[PHOTO]

S. DONLEY RITCHEY, age 71, is Managing Partner of Alpine

Partners (a family investment general partnership), Danville, California, and has served in this capacity since 1981. Mr. Ritchey was Chairman of the Board of Lucky Stores, Inc. from 1981 until his retirement in 1986 as well as Chief Executive Officer from 1980 to 1985. Mr. Ritchey has been a Director of SBC since April 1997. He served as a Director of Pacific Telesis Group from 1984 until the company was acquired by SBC in 1997. He is a member of the Audit Committee and the Corporate Governance and Nominating Committee. Mr. Ritchey is a Director of The McClatchy Company.

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[PHOTO]

JOYCE M. ROCHE, age 57, is President and Chief Executive Officer of Girls Incorporated (a national nonprofit research, education, and advocacy organization), New York, New York, and has served in this capacity since September 2000. Ms. Roche was an independent marketing consultant from 1998 to 2000. She was President and Chief Operating Officer of Carson, Inc. from 1996 to 1998, and Executive Vice President of Global Marketing of Carson, Inc. from 1995 to 1996. Ms. Roche has been a Director of SBC since October 1998. She served as a Director of Southern New England Telecommunications Corporation from 1997 until the company was acquired by SBC in 1998. She is a member of the Finance/Pension Committee and the Public Policy and Environmental Affairs Committee. She is a Director of Anheuser-Busch Companies, Inc.; The May Department Stores Company; and Tupperware Corporation.

[PHOTO]

LAURA D'ANDREA TYSON, age 57, is Dean of the London Business School, London, England, and has served in this capacity since January 2002. Dr. Tyson was Dean of the Walter A. Haas School of Business at the University of California, Berkeley, from July 1998 to December 2001. Dr. Tyson served as Professor of Economics and Business Administration at the University of California, Berkeley, from 1997 to 1998. She served as National Economic Adviser to the President of the United States from 1995 to 1996 and as Chair of the White House Council of Economic Advisers from 1993 to 1995. Dr. Tyson has been a Director of SBC since October 1999. She served as a Director of Ameritech Corporation from 1997 until the company was acquired by SBC in 1999. She is a member of the Corporate Development Committee and the Finance/Pension Committee. Dr. Tyson is a Director of Eastman Kodak Company and Morgan Stanley.

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[PHOTO]

PATRICIA P. UPTON, age 66, is President and Chief Executive Officer of Aromatique, Inc. (manufacturer and wholesaler of decorative fragrances), Heber Springs, Arkansas, and has served in this capacity since 1982. Ms. Upton has been a Director of SBC since June 1993. She is the Chairwoman of the Public Policy and Environmental Affairs Committee and a member of the Executive Committee and the Human Resources Committee.

. Compensation of Directors

Directors who are also employees of SBC or its subsidiaries receive no separate compensation for serving as Directors or as members of Board committees. Directors who are not employees of SBC or its subsidiaries receive a $65,000 annual retainer, $2,000 for each Board meeting and review session attended, and $1,700 for each committee meeting attended. Excluding employee Directors, the Chairperson of each committee receives an additional annual retainer of $5,000, except for the Chairperson of the Audit Committee who receives an additional annual retainer of $15,000, and the Lead Director who receives an additional annual retainer of $10,000.

Directors may elect to take their retainer in the form of SBC common stock or cash. Directors may also elect to defer the receipt of their fees and all or part of their retainers into either Stock Units or into a Cash Deferral Account. Each Stock Unit is equivalent to a share of common stock and earns dividend equivalents in the form of additional Stock Units. Stock Units are converted to common stock and paid out as elected by the Director in up to 15 annual installments after the Director ceases service with the Board. Each Director also receives an annual award of Stock Units equal in value to one and one-half times the base annual retainer. In addition, each non-employee Director who joined the Board after November 21, 1997, and before September 24, 2004, receives an annual grant of Stock Units equal to $13,000, limited to 10 annual grants. Deferrals into the Cash Deferral Account earn interest during the calendar year at a rate equal to the Moody's Long Term Corporate Bond Yield Average for September of the preceding year ("Moody's"). Annually, Directors may elect to convert their Cash Deferral Accounts into Stock Units at the fair market value of SBC stock at the time of the conversion.

SBC provides each non-employee Director with travel accident insurance while the Director is on SBC business, along with $100,000 of group life insurance. The total premiums during 2004 for these policies were $1,238 for travel accident insurance and $7,683 for group life insurance. Directors and former Directors also receive certain telecommunications and satellite TV services and equipment. The value of the services and equipment received by Directors who served at any time during 2004, or for whom reimbursement was provided, together with amounts necessary to offset the Directors' applicable tax liabilities resulting from such services and benefits, computed at maximum marginal rates, averaged $9,548 per non-employee Director in 2004. Employee Directors receive similar services and equipment in connection with their service as officers of SBC.

SBC does not offer non-employee Directors a retirement plan or pension. However, Directors who joined the Board prior to 1997 have vested rights in a former pension plan no longer offered to Directors. Only benefits that have already vested are payable under the plan. Each Director who is vested in the former pension plan, upon retirement, will receive annually 10% of the annual retainer in effect at the time of his or her retirement multiplied by the number of years of service, not to exceed 10 years. The payments will continue for the life of the Director. If the Director dies before receiving 10 years of payments, the Director's beneficiaries will receive the payments for the remainder of the 10-year period.

Upon the acquisition of Pacific Telesis Group ("PTG") by SBC on April 1, 1997, certain of the former PTG Directors joined the SBC Board. As part of their service with PTG, these Directors previously received stock options and PTG Deferred Stock Units, the latter of which were issued in exchange for the waiver by the Directors of certain retirement benefits. The PTG Deferred Stock Units earn dividend equivalents and are paid out in the form of cash after the retirement of the Director. After the acquisition of PTG, both the Deferred Stock Units and the stock options were modified so that their value was based on SBC stock instead of PTG stock. Service as a Director of SBC is deemed service with PTG for these benefits. In addition, PTG Directors were allowed to elect during 1997 to have their prior deferrals of PTG retainers and fees continued until they leave the SBC Board. These deferrals earn a rate of interest equal to Moody's plus 4% for deferrals from 1985 through 1992; Moody's plus 2% for deferrals from 1993 through 1995; and the 10-year Treasury Note average for the month of September for the prior year plus 2% for deferrals after 1995.

One member of the immediate family of Herman E. Gallegos, who retired as a Director on April 30, 2004, was employed by a subsidiary of SBC in 2004 and was paid a total of approximately $129,000. Amounts paid to this employee were comparable to compensation paid to other employees performing similar job functions.

In 2004, SBC and/or its subsidiaries obtained legal services from the law firm of Pillsbury Winthrop LLP, of which Ms. Rembe was a partner, on terms which SBC believes were as favorable as would have been obtained from unaffiliated parties. Ms. Rembe retired from the law firm December 31, 2004.

COMMON STOCK OWNERSHIP

. Certain Beneficial Owners

The following table sets forth the beneficial ownership of each person holding more that 5% of SBC's outstanding common stock as of December 31, 2004 (as reported in filings made with the Securities and Exchange Commission on Schedule 13G by the respective stockholders listed below).

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common stock, $1.00 par value	Capital Research & Management Co. 333 South Hope Street Los Angeles, CA 90071	229,344,700	6.9%
Common stock, $1.00 par value	FMR Corp. 82 Devonshire Street Boston, MA 02109	189,224,180	5.7%

. Directors and Officers

The following table sets forth the beneficial ownership of SBC common stock as of December 31, 2004, held by each Director, nominee and officer named in the Compensation Table on page 47. As of that date, each Director and officer listed below, and all Directors and executive officers as a group, owned less than one percent of the outstanding SBC common stock. Except as noted below, the persons listed in the table have sole voting and investment power with respect to the securities indicated.

Name of Beneficial Owner	Total SBC Beneficial Ownership (including options)(1)	Non-Voting Stock Units(2)	Name of Beneficial Owner	Total SBC Beneficial Ownership (including options)(1)	Non-Voting Stock Units(2)
Gilbert F. Amelio	5,396	30,027	Laura D'Andrea Tyson	11,648	21,708
Clarence C. Barksdale	10,977	24,728	Patricia P. Upton	12,638	20,091
August A. Busch III (3)	46,354	70,095	Edward E. Whitacre, Jr.	9,693,811	271,385
William P. Clark	13,081	19,368	John H. Atterbury III	769,277	95,811
Martin K. Eby, Jr.	26,856	33,158	James D. Ellis	1,367,358	418,974
James A. Henderson	13,476	25,795	Randall L. Stephenson	652,613	98,041
Charles F. Knight	24,978	35,529	Rayford Wilkins, Jr.	753,285	15,220
Lynn M. Martin	13,386	18,410			
John B. McCoy	31,584	34,718	All executive officers and		
Mary S. Metz	10,314	23,614	Directors as a group		
Toni Rembe (4)	22,341	27,376	(consisting of 26		
S. Donley Ritchey	15,150	35,786	persons, including		
Joyce M. Roche	2,041	28,618	those named above):	16,709,148	1,673,618

(1) This table includes presently exercisable stock options and stock options that will become exercisable within 60 days of the date of this table. The following Directors and officers hold the number of options set forth following their respective names: Judge Clark--5,848; Dr. Metz--5,848; Ms. Rembe--5,848; Mr. Ritchey--5,848; Mr. Whitacre--8,175,472; Mr. Atterbury--731,917; Mr. Ellis--1,342,803; Mr. Stephenson--647,289; Mr. Wilkins--702,175; and all executive officers and Directors as a group--14,692,873.
This table also includes shares held in an employee benefit plan for the following persons, who have sole voting power but no investment power with respect to the number of shares set forth following their respective names: Mr. Whitacre--1,154; Mr. Atterbury--1,183; Mr. Ellis--1,210; Mr. Stephenson--63; and Mr. Wilkins--606. In addition, of the shares shown in the above table, the following persons share voting and investment power with other persons with respect to the number of shares set forth following their respective names: Dr. Amelio--5,380; Mr. Busch--6,600; Judge Clark--7,233; Dr. Metz--1,592, Ms. Rembe--2,518; Mr. Ritchey--9,300; Dr. Tyson--11,648; Ms. Upton--5,025; Mr. Whitacre--31,668; Mr. Ellis--15,475; and Mr. Wilkins--15,456.

(2) Represents number of Stock Units held by the Director or officer, where each Stock Unit is convertible into a share of SBC stock at times specified by the relevant plan. None of the Stock Units listed may be converted into common stock within 60 days of the date of this table. As noted under "Compensation of Directors," non-employee Directors may acquire Stock Units

by deferring the receipt of fees and retainers into Stock Units. Directors also receive yearly grants of Stock Units. Officers may acquire Stock Units by participating in stock-based compensation deferral plans. Stock Units earn dividend equivalents at the same rate as the underlying stock, which are reinvested in additional Stock Units. Stock Units carry no voting rights.

(3) Mr. Busch disclaims beneficial ownership of 3,300 shares held in a trust for a sister.

(4) Ms. Rembe disclaims beneficial ownership of 2,145 shares held in a trust for her spouse and 373 shares held by her spouse's corporation.

MATTERS TO BE VOTED UPON

. Voting

Each share of SBC common stock represented at the Annual Meeting is entitled to one vote on each matter properly brought before the meeting. Directors are elected by a plurality of the votes cast. All other matters will be determined by a majority of the votes cast. Shares represented by proxies marked to withhold authority to vote with respect to the election of one or more nominees as Directors, by proxies marked "abstain" on other proposals, and by proxies marked to deny discretionary authority on other matters will not be counted in determining the vote obtained on such matters. If no directions are given and the signed card is returned, the person or persons designated on the card will vote the shares for the election of the Board of Directors' nominees and in accordance with the recommendations of the Board of Directors on the other subjects listed on the proxy card and at their discretion on any other matter that may properly come before the meeting.

Under the rules of the New York Stock Exchange, on certain routine matters, brokers may, at their discretion, vote shares they hold in "street name" on behalf of beneficial owners who have not returned voting instructions to the brokers. Routine matters include the election of Directors and the approval of the appointment of the independent auditors. In instances where brokers are prohibited from exercising discretionary authority (so-called "broker non-votes"), the shares they hold are not included in the vote totals and, therefore, have no effect on the vote. At the 2005 Annual Meeting, brokers will be prohibited from exercising discretionary authority only with respect to the Approval of Stock Purchase and Deferral Plan (Item 3) and each of the stockholder proposals (Items 4, 5, 6 and 7).

. Election of Directors (Item 1 on Proxy Card)

The following persons, each of whom is currently a Director of SBC, have been nominated by the Board of Directors on the recommendation of the Corporate Governance and Nominating Committee for election to one-year terms of office that would expire at the 2006 Annual Meeting.

Edward E. Whitacre, Jr.	John B. McCoy
Gilbert F. Amelio	Mary S. Metz
August A. Busch III	Toni Rembe

Martin K. Eby, Jr.	S. Donley Ritchey
James A. Henderson	Joyce M. Roche
Charles F. Knight	Laura D'Andrea Tyson
Lynn M. Martin	Patricia P. Upton

Shares represented by the accompanying form of proxy will be voted for the election of the nominees unless other instructions are shown on the proxy card or provided through the telephone or Internet proxy. If one or more of the nominees should at the time of the meeting be unavailable or unable to serve as a Director, the shares represented by the proxies will be voted to elect the remaining nominees and any substitute nominee or nominees designated by the Board. The Board knows of no reason why any of the nominees would be unavailable or unable to serve.

Your Board of Directors Recommends a Vote "FOR"
Its Nominees Listed as Directors.

. Approval of Appointment of Ernst & Young LLP as Independent Auditors (Item 2 on Proxy Card)

The Audit Committee of the Board of Directors has appointed the firm of Ernst & Young LLP to serve as independent auditors of SBC for the fiscal year ending December 31, 2005, subject to stockholder approval. This firm has audited the accounts of SBC since 1983. If stockholders do not approve this appointment, the Committee will consider other independent auditors. One or more members of Ernst & Young LLP are expected to be present at the Annual Meeting, will be able to make a statement if they so desire, and will be available to respond to appropriate questions.

Your Board of Directors Recommends a Vote "FOR" Approval
of the Appointment of Ernst & Young LLP as Independent Auditors.

. Approval of Stock Purchase and Deferral Plan
(Item 3 on Proxy Card)

The Stock Purchase and Deferral Plan (the "Plan") offers mid-level and above management employees the opportunity to purchase SBC common stock through payroll deductions, and based on the number of shares purchased, participants may receive limited, partial matching employer contributions in the form of additional common stock and receive options to

purchase additional common stock. The Plan is designed to encourage managers to invest in SBC common stock and, thereby, give these managers an even greater interest in the continued success of SBC. The Plan is administered by the Human Resources Committee (the "Committee"), a committee of the Board of Directors made up of independent Directors.

The Plan replaces a similar program, with the same core features described above, that was originally approved by stockholders in 1991 and re-approved in 1994. In 2001, the Board of Directors authorized additional shares for the 1991/1994 program, modified the distribution alternatives and made other changes.

In 2004, the tax laws governing the timing of elections and the payment of benefits under deferred compensation plans were significantly changed. The Board of Directors believes the program has been successful and that it is in the interest of SBC to continue to offer managers the opportunity to invest in

SBC stock through the new Plan. To comply with the new law on compensation deferral and to make additional shares available to participants, the Board of Directors adopted the new Plan, subject to stockholder approval, with new participation, distribution and other provisions, but maintaining the basic premise of the original program. If the Plan is not approved by stockholders at the 2005 Annual Meeting, the Plan will terminate and all contributions to the Plan will be returned to employees along with the cash value of any matching contributions. As of January 1, 2005, no new contributions may be made to the old plan (other than the reinvestment of dividend equivalents on existing deferrals).

The terms of the Plan are summarized below. In addition, the full text of the Plan is set forth in Appendix A to this Proxy Statement, and the following summary is qualified in its entirety by reference to the text of the Plan.

Plan Summary

The Plan is offered to mid-level and above management employees, which currently total approximately 2,700 managers.

Each year, a participant may elect to establish a Share Deferral Account to purchase share units through payroll deductions during the upcoming year. The purchase price of a share unit is equal to the price of a share of common stock at the time of purchase. Each share unit is converted into a share of common stock at distribution. Share units earn dividend equivalents at the same rate as common stock and are reinvested in additional share units. SBC may refuse or terminate, in whole or in part, any election to participate in the Plan.

A participant may elect to contribute from 6% to 30% of the participant's annual base compensation. Base compensation includes base salary and the annual bonus known as a "Team Award"; commissions are excluded. Employees who receive commissions as a part of their compensation may contribute up to 40% of their non-commission based compensation. The Committee has authority to add or subtract various types of compensation from the definition of "base compensation."

Share units are credited to a participant's account based upon the closing price of SBC's common stock as of the last day of the month in which the contributions are credited. The share units are distributed up to five calendar years after a Share Deferral Account commences, at the election of the participant. Distributions may be deferred for additional five-year periods, so long as the election is made while an employee. Distributions may be accelerated in the event of the death or disability of the participant, and, in certain circumstances, upon the termination of employment of the participant.

Employees purchasing share units with base compensation receive a limited, partial matching contribution from SBC. SBC credits up to 8/10 of a share unit for each share unit purchased by the employee. This matching contribution is only applicable to the first 6% of the employee's compensation. These amounts approximate the company match available under the company's tax-qualified 401(k) plans offered to almost all employees. However, to the extent an employee receives a matching contribution under this Plan, the employee may not receive a match under another SBC plan. In the event a tax qualified plan offered to an employee has a greater match rate or greater percentage of compensation that can be matched than is available in this Plan, the Committee may increase the matching benefit in this Plan for the affected employee.

Matching share units vest upon three years of service with SBC; employees who leave SBC before vesting will forfeit their matching share units. Matching share units are distributed in the calendar year after the participant terminates employment or the year the participant reaches age 55, whichever is earlier. Thereafter, matching share units in a Share Deferral Account are distributed with other share units in the account.

Participants who receive an annual cash bonus under the Short Term Incentive Plan or similar plan and/or another cash award designated by the Committee (collectively, "STIP Award") may make a separate election to

contribute all or part of the STIP Award to the Plan and purchase share units. An STIP Award is not considered "base compensation" and is not eligible for matching shares.

Participants may also contribute stock awards that have been earned under the 2001 Incentive Plan (or any successor plan) but not yet distributed. These contributions are solely for the purpose of deferring receipt of these awards. These contributions do not earn matching shares or stock options. Distributions of common stock from these awards (other than stock acquired with reinvested dividends) do not count against the share limits of this Plan, but, instead, are counted against the limits under the 2001 Incentive Plan (or successor plan).

The Committee may permit an employee to purchase share units with other amounts from time to time; however, these purchases shall not earn matching contributions or stock options.

For each share unit purchased with a participant's payroll deductions under a Share Deferral Account, SBC will issue the participant two non-tax qualified stock options, each of which will allow the participant to purchase one share of common stock at the fair market value of the stock at the time of the issuance of the option. (Also, reinvestments of dividend equivalents derived from these participant-purchased Share Units during the first 13 months of a Share Deferral Account will also earn stock options). Options may not be re-priced. Matching contributions do not earn options. Stock options are issued twice a year and are exercisable no earlier than one year (or upon termination of employment, if earlier), and no later than 10 years, after issuance. Unless otherwise provided by the Committee, in the event the employee terminates employment, the options will expire on the earlier of the regular expiration date or as follows: retirement - five years; death or disability - three years; other termination - one year. Stock Options are not transferable except by will or the laws of descent and distribution and are exercisable during the optionee's lifetime only by the optionee.

In the event the Committee reduces the number of options issued for each share unit purchased, the Plan permits the Committee to provide an additional company matching contribution that may not exceed 20% of the employee contribution.

SBC believes that, under present law, the following are the Federal income tax consequences of the issuance and exercise of Stock Options issued under the Plan as to the recipient and SBC. A participant will not be

deemed to have received any income subject to tax at the time a non-qualified stock option is granted, nor will SBC be entitled to a tax deduction at that time. When a non-qualified Stock Option is exercised, the participant will recognize compensation income equal to the amount by which the fair market value of the shares acquired exceed the exercise price. Subject to the satisfaction of applicable tax withholding requirements, SBC will be allowed a tax deduction in the year the options are exercised in an amount equal to the compensation income recognized by the participant.

The Committee is responsible for administration of the Plan. It has the power to amend the Plan or adopt rules for its operation. Under New York Stock Exchange rules, material amendments to the Plan must be submitted to stockholders for approval.

The Plan provides that the number of shares of common stock that may be distributed under the Plan as a result of employee and matching employer contributions and reinvested dividend equivalents, is limited to 21 million shares. In addition, no more than 34 million additional shares may be issued pursuant to the issuance of Stock Options. No participant may receive more than 400,000 Stock Options during a calendar year. As of February 15, 2005, SBC common stock closed at $24.52.

Your Board of Directors Recommends a Vote "FOR"
Approval of the Stock Purchase and Deferral Plan.

. Stockholder Proposals (Items 4, 5, 6 and 7 on Proxy Card)

Certain stockholders have advised the company that they intend to introduce at the 2005 Annual Meeting the proposals set forth below. The names and addresses of, and the number of shares owned by, each such stockholder will be provided upon request to the Secretary of the company.

Stockholder Proposal A (Item 4 on Proxy Card)

Resolved: The Shareholders of SBC Communications (The "Company") hereby request that the Company provide a report updated semi-annually, disclosing the Company's:

1. Policies and procedures for political contributions (both direct and indirect) made with corporate funds.

2. Monetary and non-monetary contributions to political candidates, political parties, political committees and other political

entities organized and operation under 26 USC Sec. 527 of the Internal Revenue Code including the following:

a. An accounting of the Company's funds contributed to any of the persons described above;

b. The business rationale for each of the Company's political contributions; and

c. Identification of the person or persons in the Company who participated in making the decisions to contribute.

This report shall be posted on the company's website to reduce costs to shareholders.

Supporting Statement: As long-term shareholders of SBC Communications, we support policies that apply transparency and accountability to corporate political giving. In our view, such disclosure is consistent with public policy in regard to public company disclosure.

Company executives exercise wide discretion over the use of corporate resources for political purposes. They make decisions without a stated business rationale for such donations. We believe shareholders are entitled to know how their company is spending its funds for political purposes. However, although there are various disclosure requirements for political contributions, this information is difficult for shareholders to access and is not complete.

Although the Bi-Partisan Campaign Reform Act enacted in 2002 prohibits corporate contributions to political parties at the federal level, corporate soft money state-level contributions are legal in 49 states, and disclosure standards vary widely. Corporations can also make unlimited contributions to "Section 527" organizations, political committees formed for the purpose of influencing elections, but not supporting or opposing specific candidates. These do not have to be reported.

In 2001-02, the last fully reported election cycle, SBC made at least $1,480,645.00 in political contributions. (The Center for Responsive Politics: http://www.opensecrets.org/softmoney/index.asp.)

Relying only on the limited data available from the Federal Election Commission, the Internal Revenue Service, and the Center for Responsive Politics, a leading campaign finance watchdog organization, provides an

incomplete picture of the Company's political donations. Current disclosures is insufficient to allow the Company's Board and its shareholders to fully evaluate the political use of corporate assets.

Absent a system of accountability, corporate executives will be free to use the Company's assets for political objectives that are not shared by and may be inimical to the interests of the Company and it shareholders, potentially harming long-term shareholders value.

There is currently no single source of information that provides the information sought by this resolution. This report should represent a minimal cost to the company, as presumably management already monitors corporate resources used for such purposes. We believe that transparency and accountability in this area will advance our company's interests, and help build long-term shareholder value. We urge your support for this critical governance reform.

YOUR DIRECTORS' POSITION

Political contributions, where permitted, are an important part of the legislative process. Your company is subject to legislation that significantly impacts its operations, including rates it can charge customers, its profitability and even how it must provide services to competitors. It is important that your company participate in the political process to protect your interests as stockholders. SBC complies with all applicable Federal and state laws concerning political contributions.

Each year, your Board of Directors authorizes maximum aggregate contributions that can be made by your company, as permitted by, and in strict compliance with, applicable law, for the purposes of supporting or opposing any party, committee, candidate for public office, or ballot measure, or for any other political purpose. Except for contributions for ballot measures, no expenditure over $1,000 may be made unless approved by the Chief Executive Officer (lesser amounts may be approved by delegates). All expenditures must be submitted to the company's attorneys to confirm that each contribution is lawful.

In addition, no company funds, by law, are expended to make Federal political contributions. Federal law has long prohibited corporate contributions to Federal candidates or their political committees. With the enactment of the Bi-Partisan Campaign Finance Reform Act of 2002 (known as the "McCain Feingold Act"), corporate contributions to Federal political parties and Leadership Committees are prohibited, effective November 6, 2002.

As to state and local contributions, state laws determine when and under what circumstances political contributions are permissible. Moreover, a number of states in which SBC operates have extensive reporting requirements. These rules, in general, are applicable to all participants in the political process. This proposal, on the other hand, would impose a set of rules only on your company.

This proposal would require an unwarranted expenditure of funds by your company and would be uniquely applicable only to your company and not to our competitors, unions or any other participants in the process. Your Directors believe that any reporting requirements that go beyond those required under existing law should be applicable to all participants in the process, not just to SBC as the proponent asks.

Your Board of Directors Recommends a
Vote "AGAINST" this Proposal.

Stockholder Proposal B (Item 5 on Proxy Card)

WHEREAS, excesses in executive compensation have become a major issue for stakeholders. Opposition to excessive pay packages continues to mount, particularly among investors angry at compensation seemingly unrelated to financial performance. In fact, many mainstream investors have voted NO on compensation packages they felt were unreasonable. We also believe that boards, in setting executive compensation, should consider social and environmental performance, as well as financial performance.

- The relationship between compensation and the social responsibility and environmental performance is an important question. For instance, shouldn't the pay of top officers be reconsidered if the company is found guilty of systematic sexual harassment or race discrimination or poor environmental performance, especially if the result is costly fines or expensive, protracted litigation?

- Too often top executives have received considerable increases in compensation packages even when the company's financial performance or social responsibility performance has been mediocre or poor. When compensation is tied to social responsibility, better social responsibility performance will inevitably follow.

- Business Week reports that executive compensation has skyrocketed from 42 to 1 in 1982 to over 400 times the pay of average employees in 2004.

- "The size of the CEO compensation is simply out of hand," said Business Week in an April 22, 2002 editorial. Also the Conference Board issued a September 17, 2002 report acknowledging that executive compensation has become excessive in many instances and bears no relationship to a company's long-term performance.

- New York Federal Reserve Bank President, William J. McDonough, said: "CEOs and their boards should simply reach the conclusion that executive pay is excessive and adjust to more reasonable and justifiable levels."

- Companies involved in significant downsizing of employees don't "share the pain," but escalate executive pay.

- Many Board compensation committees fall prey to the desire to have their CEO paid in the top quartile of CEOs, thus creating a magnet effect pulling all executive compensation upward, regardless of contribution to shareholder value.

Resolved: The shareholders request the Board Compensation Committee undertake a special executive compensation review and provide a summary report to investors by Summer 2005. The report shall supplement information in the proxy statement.

Questions to be addressed in the review and report shall include:

1. The rationale for the compensation packages for our top executives, including an explanation of whether the Committee has considered a cap on the size of the compensation package for the future.

2. How or if executive compensation is compared to the pay package of the average employee and if the increasing ratio between the two over the last decade is taken into account.

3. How social and environmental performance is integrated into the formula for executive compensation and whether our corporation's employee downsizing or outsourcing is considered.

4. An evaluation of whether our top executive compensation packages (including options, benefits, pension and retirement agreements) are excessive and should be modified.

5. A summary description of opposition registered by stakeholders to our compensation package.

YOUR DIRECTORS' POSITION

Each year, in SBC's annual Proxy Statement, the Human Resources Committee includes an extensive report on the company's compensation policies for executive officers. In its report, the Human Resources Committee explains the methods it uses to determine compensation, including the use of outside consultants. This report is subject to detailed and complex rules of the Securities and Exchange Commission ("SEC").

Moreover, in 2003, all new members joined the Committee and immediately began, with the aid of outside consultants, a comprehensive review of SBC's executive compensation program, including the strategic use of salaries, short-term bonuses and long-term incentive awards. As a result, the Committee made numerous changes to the program and adopted a set of principles with respect to SBC's executive compensation that it included in its detailed report.

Your Directors believe that requiring the Human Resources Committee to undertake yet another review of this report would result in unnecessary costs to the company, would repeat efforts made in the prior review, and is unlikely to produce any additional benefits.

Your Board of Directors Recommends a
Vote "AGAINST" this Proposal.

Stockholder Proposal C (Item 6 on Proxy Card)

Performance and Time-Based Restricted Shares Proposal

Resolved: That the shareholders of SBC Communications, Inc. ("Company") hereby request that the Board of Directors' Compensation Committee adopt a performance and time-based restricted share grant program for senior executives that includes the following features:

(1) Operational Performance-Vesting Measures--The restricted share program should utilize justifiable operational performance criteria combined with challenging performance benchmarks for each criteria utilized. The performance criteria and associated performance benchmarks selected by the Compensation Committee should be clearly disclosed to shareholders.

(2) Time-Based Vesting--A time-based vesting requirement of at least three years should also be a feature of the restricted shares program, so that operational performance and time-vesting requirements must be met in order for restricted shares to vest.

The Board and Compensation Committee should implement this restricted share program in a manner that does not violate any existing employment agreement or equity compensation plan.

Supporting Statement: The Company's executive compensation program should include a long-term equity compensation component with clearly defined operational performance criteria and challenging performance benchmarks. We believe that performance and time-vesting restricted shares should be an important component of such a program. In our opinion, performance and time-based restricted shares provide an effective means to the equity compensation to meaningful operational performance beyond stock price performance.

A well-designed restricted share program can serve to help focus senior executives on achieving strong operational performance as measured over several years in areas determined by the Board to be important to the long-term success of the Company. The use of operational performance measures in a restricted share program can serve to complement the stock price performance measures common in senior executive equity compensation plans. In addition to operational performance requirements, time vesting requirements of at least three years will help reinforce the long-term performance orientation of the plan.

Our proposal recognizes that the Compensation Committee is in the best position to determine the appropriate operational performance criteria and associated performance benchmarks. It is requested that detailed disclosure of the performance criteria be provided in the Compensation Committee Report. Further, clear disclosure should be provided on the performance benchmarks associated with each performance criteria to the extent this information can be provided without revealing proprietary information. This disclosure will enable shareholders to assess whether the long-term equity compensation portion of the executive compensation plan provides challenging performance targets for senior executives to meet.

We believe that a performance and time-based restricted share program with the features described above offers senior executives the opportunity to acquire significant levels of equity compensation commensurate with their contributions to long-term corporate performance. We believe such a system best advances the long-term interests of our Company, its shareholders, employees and other important constituents. We urge shareholders to support this important executive compensation reform.

YOUR DIRECTORS' POSITION

The proponent calls for a restricted stock program to be implemented, with operational performance vesting measures and time-based vesting requirements. SBC already has in place similar compensation programs.

SBC's programs are designed to reward achievement of company objectives and link compensation to the interests of SBC stockholders.

SBC's short-term and long-term compensation programs are carefully reviewed and approved by the Board's Human Resources Committee, as are the annual performance targets. In 2004, after undertaking a comprehensive review of SBC's executive compensation programs the Human Resources Committee decided to use performance shares for long-term compensation, instead of stock options and time-based restricted stock. This is more fully described in the "Report of the Human Resources Committee on Executive Compensation" in this Proxy Statement.

Each performance share is equal in value to a share of stock. When they are granted, the Committee establishes financial and/or other operational goals to be achieved over a three-year performance period. If the employee fails to meet his goals, the number of performance shares paid out are reduced or forfeited completely. If the employee exceeds his target he can receive additional performance shares. Performance shares are paid out one-half in cash and one-half in stock. Employees who terminate employment, but are not retirement eligible, receive a pro-rated payout.

This is substantially the same compensation program called for by the proponent--stock-based payment tied to performance goals. In addition, the company has stock ownership guidelines that provide for substantial SBC stock holdings by officers.

SBC's existing executive compensation program provides needed flexibility in the administration of management compensation and contributes to SBC's ability to attract and retain highly qualified and capable key employees consistent with SBC's strategic business objectives. This proposal provides no additional benefit to stockholders.

Your Board of Directors Recommends a
Vote "AGAINST" this Proposal.

Stockholder Proposal D (Item 7 on Proxy Card)

Adopt Simple Majority Vote

RECOMMEND: That our Board of Directors take each step necessary for a simple majority vote to apply on each issue that can be subject to shareholder vote--to the greatest extent possible.

75% Yes-Vote

This topic won a 75% yes-vote average at 7 major companies in 2004. The Council of Institutional Investors www.cii.org formally recommends adoption of this proposal topic.

Terminate the Frustration of the Shareholder Majority

Our current rule allows a small minority to frustrate the will of the shareholder majority. For example, in requiring a 67% vote of shares to make certain governance changes, if 66% vote yes and only 1% vote no - only 1% could force their will on the overwhelming 66% majority.

Advancement Begins with a First Step

I believe that the importance of taking the above RECOMMEND step is reinforced by viewing our overall corporate governance fitness which was not impeccable. For instance in 2004 it was reported:

- Eight directors were allowed to hold from 4 to 11 director seats each--over-extension concern.
- Our Lead Director, who was also the chairman of our key Audit Committee, had 21-years director tenure--independence concern. Furthermore he was age 72.
- Only one member of our key Audit Committee was not in his 70s.
- 2003 CEO pay was reported as $24 million including stock option grants.
  Source: Executive Pay Watch Database,
  http://www.aflcio.org/corporateamerica/paywatch/ceou/database.cfm
- "Target" bonuses of almost 200% of salary were paid out despite targets not actually being met. Source: The Corporate Library (TCL), an independent investment research firm in Portland, Maine
- The Corporate Library's ratings for our company were:
  OVERALL RATING = F
  Board Composition = F
  CEO Compensation = F
- James Henderson was designed a "problem director" by The Corporate Library, because he was the chairperson of the committee that set executive compensation at SBC, which received a CEO Compensation rating of "F" by TCL.

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- John McCoy was designated a "problem director" because he was the chairperson of the committee responsible for director nominations at SBC, which received a Board Composition grade of "F".
- Our Board had 17 directors - unwieldy Board concern.

One Step Forward

I believe the above practices reinforce the importance to take one step forward and adopt simple majority vote. This will terminate the potential frustration of the shareholder majority.

Adopt Simple Majority Vote
Yes on 7

YOUR DIRECTORS' POSITION

Almost all stockholder votes at SBC are already determined by a majority of the votes cast. Other than election of Directors, which is determined by a plurality of votes cast, and other matters where state law requires a greater number of votes, there are only three issues that require more than a majority of votes cast in order to pass. SBC's governing documents require a two-thirds majority vote of outstanding shares for amending or repealing any provision of the Bylaws that:

- Provides for a classified Board with staggered terms of office;

- Provides for the maximum number of Directors on the Board; or

- Requires approval by the stockholders or the Board for any business combination.

In each of these cases, there are several reasons why your Board of Directors does not recommend the proposal.

Adoption of this proposal would make it much easier to reinstate the staggered board. Resolutions removing the staggered board from SBC's governing documents were approved by greater than two-thirds majority stockholder vote at SBC's 2004 Annual Meeting. If this proposal is adopted, the staggered board could be reinstated with a simple majority vote, instead of a two-thirds majority. Changing the method of electing the Board of Directors repeatedly is costly, and can disrupt the management of the company.

Adoption of this proposal would also remove an important form of stockholder protection. SBC's Bylaws presently require approval of a two-

thirds majority for certain transactions with stockholders who own 10% or more of the company's stock, unless the action is approved by the Board of Directors or it offers a fair value to the stockholders. These transactions include mergers, consolidations, disposition of assets, issuance of securities and liquidation. Similar provisions are included in the governing documents of many public corporations. Without such a provision, it may be possible for one or a few large stockholders to take actions at a stockholders meeting that may not be in the best interest of the other stockholders. Elimination of the two-thirds majority vote for business combinations could make it more difficult for your independent Board to maximize stockholder value for all stockholders.

This proposal could increase the vote required to elect or replace directors. This proposal could change the way Directors are elected. Currently, the Directors who receive the most votes (referred to as a "plurality" of the votes) are elected regardless of whether they have a majority of the votes. If the company were to require that a director must receive a majority vote to be elected, director candidates who do not receive a majority of the votes would not be elected or reelected, as the case may be. Under Delaware law, however, directors serve until their successors are duly elected and qualified. Accordingly, if no successor is elected, under Delaware law the director whose seat was up but for whom no successor received a majority of the votes would remain in office as a holdover director, even if the director was not re-elected. For this reason, the proposal makes it much more difficult to replace incumbent Directors, since it requires a majority, rather than a plurality, of the votes to do so.

Your Directors believe that this proposal is not in the best interests of the company or the stockholders, and that it would limit the Board's ability to take actions consistent with the best interests of all stockholders.

Your Board of Directors Recommends a
Vote "AGAINST" this Proposal.

AUDIT COMMITTEE

The Audit Committee oversees the integrity of the financial statements of SBC, the independent auditors' qualifications and independence, the performance of the internal audit function and independent auditors, and the compliance by SBC with legal and regulatory matters. The members of the Audit Committee are Messrs. Barksdale (Chairman), Amelio, Eby, and Ritchey, each of whom was appointed by the Board of Directors. The Audit Committee is composed entirely of independent Directors in accordance with the applicable independence standards of the New York Stock Exchange and SBC.

The Board of Directors has determined that Messrs. Barksdale and Ritchey are "audit committee financial experts" and are independent as defined in the listing standards of the New York Stock Exchange and in accordance with SBC's additional standards. Although the Board of Directors has determined that these individuals have the requisite attributes defined under the rules of the Securities and Exchange Commission, their responsibilities are the same as those of the other Audit Committee members. They are not auditors or accountants, do not perform "field work" and are not full-time employees. The Commission has determined that an audit committee member who is designated as an audit committee financial expert will not be deemed to be an "expert" for any purpose as a result of being identified as an audit committee financial expert. The Audit Committee is responsible for oversight of management in the preparation of SBC's financial statements and financial disclosures. The Audit Committee relies on the information provided by management and the independent auditors. The Audit Committee does not have the duty to plan or conduct audits or to determine that SBC's financial statements and disclosures are complete and accurate. SBC's Audit Committee charter provides that these are the responsibility of management and the independent auditors.

. Report of the Audit Committee

The Audit Committee: (1) reviewed and discussed with management SBC's audited financial statements for the year ended December 31, 2004; (2) discussed with the independent auditors the matters required by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended by Statement on Auditing Standards No. 90, Audit Committee Communications; (3) received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees; and (4) discussed with the auditors the auditors' independence.

Based on the review and discussions, the Audit Committee recommended to the

Board of Directors that the audited financial statements for the year ended December 31, 2004, be included in SBC's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

February 17, 2005

The Audit Committee:

Clarence C. Barksdale, Chairman	Martin K. Eby, Jr.
Gilbert F. Amelio	S. Donley Ritchey

. Principal Accountant Fees and Services

Ernst & Young LLP acts as the principal auditor for SBC and also provides certain audit-related, tax and other services. The Audit Committee has established a pre-approval policy for services to be performed by Ernst & Young. Under this policy the Audit Committee approves specific engagements when the engagements have been presented in reasonable detail to the Audit Committee before services are undertaken.

This policy also allows for the approval of certain services in advance of the Audit Committee being presented details concerning the specific service to be undertaken. These services must meet service definitions and fee limitations previously established by the Audit Committee. Additionally, engagements exceeding $500,000 must receive advance concurrence from the Audit Committee Chairman. After an auditor is engaged under this authority, the services must be described in reasonable detail to the Audit Committee at the next meeting.

All pre-approved services must commence, if at all, within 14 months of the approval.

The fees for the services provided by Ernst & Young to SBC in 2004 and 2003 were as follows (dollars in millions):

- Audit Fees were $14.7 and $22.2 for 2004 and 2003, respectively. Included in this category are fees for the annual financial statement audit, quarterly financial statement reviews, and audits required by Federal and state regulatory bodies.

- Audit-Related Fees were $2.6 and $4.8 for 2004 and 2003, respectively. These fees, which are for assurance and related services other than those included in Audit Fees, include charges

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for audits of employee benefit plans, consultations concerning financial accounting and reporting standards, audits and due diligence in conjunction with proposed or consummated acquisitions and dispositions, and internal control reviews.

- Tax Fees were $1.9 and $5.9 for 2004 and 2003, respectively. These fees include charges for tax services for SBC employees working in foreign countries, executive financial counseling (including tax return preparation), and various Federal and state tax research projects. Beginning in 2004, Ernst & Young no longer provided executive financial counseling (including tax return preparation services) for SBC.

- All Other Fees were $0.1 and $0 for 2004 and 2003, respectively. These fees include charges for assisting SBC in state regulatory proceedings, as well as assessing processes used by SBC to accumulate and analyze operating data.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee, composed entirely of independent, non-employee Directors, is responsible for the compensation of SBC's executives and overseeing the compensation practices of SBC. No employee of SBC serves on this Committee. The current members of the Committee are: James A. Henderson (Chairman), Gilbert F. Amelio, Martin K. Eby, Jr., and Patricia P. Upton.

EXECUTIVE COMPENSATION

. Report of the Human Resources Committee on Executive Compensation

The Human Resources Committee is responsible for the compensation of the Chief Executive Officer and other executives, including the Named Officers (defined on page 47), as well as overseeing the benefit and compensation plans of the company.

In 2003, the Board of Directors adopted a number of corporate governance initiatives, including a new Code of Ethics, new Corporate Governance Guidelines and a new committee devoted to corporate governance matters and Director nominations. Previously, the Human Resources Committee had carried out many of the new committee's functions, and the Board determined to move all the members of the then Human Resources Committee to the Corporate Governance and Nominating Committee. The five Directors that were appointed to the Corporate Governance and Nominating Committee had served a combined total of 50 years on the Human Resources Committee. As a result of this change, an entirely new Human Resources Committee was appointed in March 2003. The new members of the Committee are James A. Henderson (Chairman), Gilbert F. Amelio, James E. Barnes (who resigned from the Board in December 2004), Martin K. Eby, Jr., and Patricia P. Upton.

Review of SBC's Executive Compensation Program

Upon assuming office in 2003, the current Committee undertook a comprehensive review of SBC's executive compensation program, including the use of salaries, short-term bonuses and long-term incentive awards. The Committee, assisted by independent consultants, analyzed current compensation trends, studied published recommendations of respected

business organizations on the subject of executive compensation, reviewed proxy statements of other companies, and compared SBC's program to those of other leading companies. The Committee also solicited input from former members of the Committee and the Board of Directors.

The Committee found that SBC compensation programs were sound and consistent with those of other firms of similar size. They had enabled SBC to attract and retain a high quality management team. An individual and business unit performance evaluation system based upon financial and non-financial objectives was in place and rigorously followed. Executive pay was targeted to the 62/nd/ percentile for annual cash compensation and the median for long-term compensation as compared with other firms of similar size and financial performance (except for the CEO which is covered later in this report.)

The Committee found that there were opportunities to tie the incentive pay of executives more directly to performance and to minimize dilution from equity-based compensation programs.

As a result of its review, the new Committee adopted the following principles with respect to SBC executive compensation:

- Maximize the alignment of executive compensation with the long-term interests of stockholders.

- Provide competitive compensation to attract, retain and motivate executives.

- Base both short-term bonuses and long-term compensation on performance measures.

- Balance equity-based compensation awarded to executives with the interests of stockholders concerning dilution.

- Establish short-term incentives with a view toward achievement of long-term corporate goals.

- Provide opportunities for executives to acquire and hold SBC stock and establish minimum ownership requirements.

Because executive compensation for 2003 had already been determined at the time the new Committee members were appointed, the first time the new members would determine compensation would be in 2004.

2004 Compensation

To help properly implement the Committee's policies and to determine appropriate compensation, the Committee employs independent compensation and benefits consultants to assist in establishing compensation and analyzing the actual compensation of executives. The Committee reviews compensation including salaries, short-term incentives and long-term incentives at a group of companies (the "Comparator Group") selected with the advice of an outside independent compensation consultant. The Comparator Group consists of large companies in diverse businesses and telecommunications companies, including companies subject to comparable governmental regulation. Compensation data from the Comparator Group is adjusted using statistical analysis to eliminate differences arising from the relative sizes of the companies in the Comparator Group in comparison to SBC. This market data is then used to establish a target compensation range for each executive officer position.

Annual Base Salaries The Committee determined executive officer salaries (other than the Chief Executive Officer) for 2004 by targeting the median of the salary market data for the Comparator Group and by considering individual performance, level of responsibility and experience.

Short-Term Incentives In 2004, the Committee used short-term incentives in the form of performance based annual cash bonuses to compensate executive officers as well as other executives. The Committee established performance targets for executive officers using financial and/or operational goals linked to SBC's overall performance. Target bonuses for executive officers (except the Chief Executive Officer) were established using the 62/nd/ percentile of cash compensation (salary plus annual bonus) for the Comparator Group. The Committee also considered individual performance, level of responsibility and experience to determine the final target bonus amounts. Bonuses are paid at the discretion of the Committee based on the accomplishment of company and/or business unit performance targets set at the beginning of the year and individual performance.

The 2004 financial and operational targets for bonuses for executive officers were based on SBC's net income, free cash flow and customer satisfaction (weighted 50%, 30% and 20%, respectively); similar targets were established for non-executive officers. If the objectives are not completely met, the bonuses are reduced, or if certain minimum targets are not met, they are eliminated. If a target is exceeded, the payout increases, subject to a cap at 125% of the target opportunity. The Committee reviewed the performance objectives and corresponding results for 2004 and

determined that each of the targets for the executive officers, including all of the Named Officers, had been exceeded, with customer satisfaction having the best results. The Committee authorized bonuses at 109% of the target, together with a limited number of special discretionary awards based on individual performance.

Long-Term Incentives In 2004, the Committee granted executive officers long-term incentives in the form of performance shares for the 2004-2006 performance period. The Committee determined the total amount of long-term incentives to grant each executive officer (except the Chief Executive Officer) by using the median long-term market data for the Comparator Group and adjusting for individual performance, level of responsibility and experience.

In 2002 and before, the long-term incentive was made up of 40% performance shares and 60% stock options. In 2003, the previous committee modified the mix of those elements to one-third performance shares, one-third stock options and one-third restricted stock. The performance objectives for performance shares granted in 2002 and 2003 are based on a net income target for each year in the three-year performance cycle.

For 2004, the new Committee decided to deliver the entire long-term incentive in the form of performance shares. While stock options and time-based restricted stock are linked to the interests of stockholders, they do not have a performance component or measure. In addition, current accounting rules cause stock options to be dilutive in calculating earnings per share. Therefore, the Committee decided to grant performance shares exclusively in 2004 and not use stock options or time-based restricted stock as long-term compensation. The value of performance shares fluctuates directly with changes in the price of SBC stock (each performance share is equal in value to a share of SBC stock), which ties managers' interests directly to those of stockholders. The performance shares are paid out only to the extent specific internal financial and/or operational objectives are achieved. No payout is made if minimum objectives are not met. Payouts, when earned, are to be paid in a combination of stock and cash which reduces dilution.

Comparison of the Compensation Elements Used for
Delivering Value in Long-Term Compensation Plans

2002 Long-Term Compensation	2003 Long-Term Compensation	2004 Long-Term Compensation
. Performance Shares . Stock Options	. Performance Shares . Stock Options . Restricted Stock	. Performance Shares

The Committee also determined to use return on invested capital instead of net income as the long-term performance measure for target awards granted in 2004. This measurement is calculated by dividing (1) the company's net income before extraordinary items plus after-tax interest expense over the three-year measurement period by (2) the sum of the average debt and average stockholder equity. This encourages managers to not only focus on net income, but also to ensure that the company's capital is invested effectively.

Another change made by the Committee provided that if the target is exceeded, more shares can be earned, but the number of shares that can be earned is capped at 150% of the target award. For performance awards granted in 2002 and 2003 up to 200% of target awards could be paid out based upon performance.

In 2004, SBC's officers, including the executive officers and the Chief Executive Officer, received the payout of their performance share awards for the 2001-2003 performance period, having substantially met the performance goals set by the Committee. The performance goals for these awards were annual net income targets averaged over the three-year performance period from 2001 to 2003. (By comparison, the annual bonus described above covers the 2004 performance period.) In accordance with a predetermined formula, 95% of the target performance shares were distributed. However, since the SBC share price at the time of distribution was approximately 51% of the price it was at the time of the establishment of the incentive target, the value of the performance plan payout, with a 95% distribution, was approximately 48% of the target value.

Compensation for the Chief Executive Officer

Employment Contract In 2001, the previous Committee initiated and approved an Employment Contract to retain Mr. Whitacre as the Chief Executive Officer of SBC for a period of five years which coincides with his reaching the normal retirement age of 65. The Employment Contract was subsequently reviewed and approved by the Board of Directors and was effective November 16, 2001.

The contract was designed to assure SBC of the services of Mr. Whitacre for this five-year period. In return, the contract provided:

- 2.5 million stock options at $39.13 to vest in part at three years and, in total, at five years

- post-retirement benefits including a three-year consulting agreement

- target compensation for salary, total cash compensation and long-term incentives would be set at the 75th percentile

. the provision that Mr. Whitacre's yearly salary and incentive targets expressed in dollars would not be reduced for the life of the contract.

During 2004, the Committee conducted a review of the Employment Contract with the assistance of independent outside consultants. The target compensation established in 2001 was analyzed based on 2001 market data, CEO employment agreements for other telecommunication companies and current market data. Based on this review and the competitive demand for CEOs in the telecommunications industry, the Committee has determined that the 2001 target compensation levels were appropriate.

The contract was entered into at a time when telecommunications and technology companies were, in general, performing well and in favor with investors. Equity markets were at an all-time high, which drove compensation packages. Compensation for experienced CEOs was at especially high levels. It was not clear which companies were going to emerge as "winners." Several major companies were searching for new CEOs. The Committee at the time was facing an extraordinarily competitive environment for executives with proven track records in telecommunications and technology.

The provisions of the contract, including the post-retirement benefits and the stipulation that salary and incentive targets not be reduced, were consistent with compensation practice for long-serving and successful CEOs at the time.

2004 Compensation In determining the 2004 compensation for the Chief Executive Officer, the Committee decided that the Employment Contract continued in the best interests of the stockholders. The telecommunications industry has experienced even more intense competition in part because of government regulation since the contract signing. Mr. Whitacre has led a successful effort to retain SBC's traditional strength in local wireline services, while moving aggressively into long distance and Internet access. He expanded the footprint of SBC while retaining a strong balance sheet, which has permitted the investment in major growth initiatives in the wireless and data businesses. The ground-breaking mergers under Mr. Whitacre's leadership and his disciplined stewardship of the company during the time of economic downturn and significant government regulation has enabled SBC to emerge as one of the clear leaders in the

industry. The Committee believes his leadership of SBC is as important today as when the contract was written.

The Committee made no change to base salary or to short-term and long-term incentive targets for 2004. The Committee reviewed its findings with the Board.

Mr. Whitacre's annual bonus and long-term incentives are based totally on performance measures and will be realized only if targets are met. In order to tie Mr. Whitacre's long-term compensation even more closely to the interests of the stockholders, the Committee made one change to the 2004 long-term incentive program put in place for other executives. The performance shares for Mr. Whitacre are based 75% on return on invested capital (described above) with the ability to receive a payout of 150% of the target award in the same manner as the other executive officers. Another 25% of the performance share award is based on the comparison of SBC's total stockholder return (stock appreciation plus reinvestment of dividends) compared to companies in the North American Telecom Index, excluding equipment manufacturers, and adding several cable company competitors not in the Index. The following chart shows the potential payouts:

SBC Total Stockholder Return compared to the adjusted North American Telecom Index	Payout Percentage
SBC is the top company	200%
SBC in top 75 - 99% of the Index	150%
SBC in top 50 - 74.99% of the Index	100%
SBC in top 25 - 49.99% of the Index	50%
SBC below 25% of the Index	0% (if results exceed a 20% return, then 10% payout)

In each case, the payout is reduced by 10% if SBC's total stockholder return is negative.

As noted above, all the executive officers, including Mr. Whitacre, exceeded the net income, cash flow and customer satisfaction targets. After considering his achievements and performance, the Committee determined to pay Mr. Whitacre 109% of his target bonus in accordance with a pre-determined formula. The Committee also determined that for the 2001-2003 performance period, he substantially met his cumulative income targets under his performance share grant, receiving a payout of 95% of the target performance shares. However, since the SBC share price at the time of distribution was approximately 51% of the price at the time the incentive target was established, the value of the performance plan payout, with a 95% distribution, was approximately 48% of the target value.

Stock Ownership Guidelines

The Committee has established stock ownership guidelines for the Chief Executive Officer, other executive officers, and all other officer level employees. The guidelines set a minimum level of ownership of four times base salary for the Chief Executive Officer, the lesser of three times base salary or 50,000 shares for other executive officers and the lesser of one times base salary or 25,000 shares for all other officers. Newly appointed officers are expected to be in compliance with the ownership guidelines within five years of their appointments.

To encourage all employees, as well as officers, to acquire and hold SBC stock, the company offers several ways to invest in SBC through payroll deductions, a limited portion of which SBC matches in SBC stock. SBC offers a tax-qualified savings plan that allows employees to purchase SBC stock, among other investment choices. The company also offers the Stock Savings Plan (which is being replaced with the Stock Purchase and Deferral Plan, subject to stockholder approval at the 2005 Annual Meeting and is described on page 22), where middle managers and above may receive stock options based on the amount of SBC stock purchased with payroll deductions.

Limit on Deductibility of Certain Compensation

Federal income tax law prohibits publicly held companies, such as SBC, from deducting certain compensation paid to a Named Officer that exceeds one million dollars during the tax year. To the extent that compensation is based upon the attainment of performance goals set by the Committee pursuant to plans approved by the stockholders, the compensation is not included in the computation of the limit. The Committee intends, to the extent feasible and where it believes it is in the best interests of SBC and its stockholders, to attempt to qualify executive compensation as tax deductible where it does not adversely affect the Committee's development and execution of effective compensation plans. The Committee intends to maintain the flexibility to take actions it considers to be in the best interests of SBC and its stockholders.

February 9, 2005

The Human Resources Committee:

James A. Henderson, Chairman Martin K. Eby, Jr.
Gilbert F. Amelio Patricia P. Upton

SUMMARY COMPENSATION TABLE

The table below contains information concerning annual and long-term compensation provided to the Chairman of the Board and Chief Executive Officer and the other most highly compensated executive officers of SBC (the "Named Officers").

	Annual Compensation				Long-Term Compe Awards	
Name	Year	Salary	Bonus	Other Annual Compensation	Restricted Stock Award(s)	Number of Securitie Underlyin Options
Edward E. Whitacre, Jr.	2004	$2,124,000	$6,213,000	$1,617,303	$ 0	400,000
Chairman & Chief Executive Officer	2003	$2,122,000	$5,700,000	$ 843,613	$7,197,990	1,352,128
	2002	$2,100,000	$4,000,000	$ 523,345	$ 0	1,434,242
John H. Atterbury	2004	$ 814,500	$1,057,301	$ 297,168	$ 0	12,148
Group President--IP Services	2003	$ 777,000	$ 950,000	$ 124,659	$1,199,997	187,239
	2002	$ 712,000	$ 697,000	$ 64,188	$ 0	196,782
James D. Ellis	2004	$ 783,667	$1,981,000	$ 353,453	$ 0	97,377
Senior Executive Vice President &	2003	$ 744,500	$ 925,000	$ 152,586	$1,334,001	265,712
General Counsel	2002	$ 727,000	$ 600,000	$ 102,056	$ 0	215,637
Randall L. Stephenson	2004	$ 819,167	$1,044,586	$ 247,181	$ 0	44,600
Chief Operating Officer	2003	$ 566,500	$ 775,000	$ 126,694	$1,199,997	227,354
	2002	$ 542,500	$ 450,000	$ 52,659	$ 0	181,161
Rayford Wilkins, Jr.	2004	$ 814,500	$1,057,301	$ 238,973	$ 0	13,319
Group President	2003	$ 777,000	$ 950,000	$ 137,536	$1,133,993	174,090
	2002	$ 738,667	$ 650,000	$ 81,089	$ 0	157,046

Notes:

(1) Amounts shown under Restricted Stock Awards represent the grant date values of SBC restricted stock (including stock units having the same terms as

restricted stock, but payable in cash) awarded to the Named Officers. One-third of each grant vests on each anniversary of the grant and entirely vests upon the retirement of the recipient. However, stock is non-transferable until the third anniversary of the grant and is forfeited if, at the third anniversary, the company is in material default on the payment of a dividend. The number of shares remaining unvested, and their values as of December 31, 2004, are as follows: Mr. Whitacre--197,313 restricted shares valued at $5,084,765; Mr. Atterbury--32,895 restricted shares valued at $847,696; Mr. Ellis--36,568 restricted shares valued at $942,357; Mr. Stephenson--32,895 restricted shares valued at $847,696, and Mr. Wilkins--31,085 restricted shares valued at $801,069. Dividends or dividend equivalents are paid on all restricted stock.

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Summary Compensation Table--Notes (continued)

(2) Other Annual Compensation includes earnings on long-term incentive plan compensation and amounts reimbursed for the payment of taxes. In accordance with SEC regulations, if a Named Officer receives personal benefits that exceed $50,000, these benefits are also included in the column and any benefit that exceeds 25% of an officer's total benefits is disclosed. In valuing personal benefits, SBC uses the incremental cost of the benefit to the company. Payments for club memberships (dues and initiation fees) are included as personal benefits unless the use is primarily for business, in which case SBC will include the pro-rata portion related to personal use. Personal benefits include personal transportation, club memberships, home security, financial counseling, tax preparation and executive health benefits. SBC believes that the need for services provided for the security of the officer, such as home security and company-provided transportation, arise out of the officer's business duties and are for the benefit of the company and, therefore, are not properly characterized as personal benefits. However, beginning with the reporting for 2004 compensation, it will now voluntarily include such services in the calculation of personal benefits. Personal benefits reported under Other Annual Compensation for 2004 include personal flights on company transportation as follows: Mr. Whitacre--$32,312, Mr. Atterbury--$23,989, Mr. Ellis--$42,594.

(3) All Other Compensation for 2004 includes benefits imputed to the Named Officers with respect to premiums on SBC-owned life insurance, as determined in accordance with IRS guidelines. For Messrs. Whitacre, Atterbury, Ellis, Stephenson and Wilkins this amount was $18,293, $1,909, $4,264, $928, and $1,502, respectively. All Other Compensation also includes the difference between market interest rates determined pursuant to SEC rules and actual rates used to determine earnings on deferred compensation for Messrs. Whitacre, Atterbury, Ellis, Stephenson and Wilkins of $611,501, $33,961, $160,451, $1,260 and $1,233, respectively. All other amounts reported under this heading represent employer matching contributions made to employee benefit plans.

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. Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

The purpose of the following table is to report exercises of stock options and stock appreciation rights ("SARs") by the Named Officers during 2004 and the value of their unexercised stock options and SARs as of December 31, 2004. SBC has not issued any SARs to the Named Officers. "Value of Unexercised

In-the-Money Options" figures are based on the year end, December 31, 2004, SBC common stock price of $25.77.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year End: Exercisable	Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year End: Exercisable	Unexercisable
Edward E. Whitacre, Jr.	164,574	$748,894	7,379,823	2,485,428	$1,625,226	$1,616,161
John H. Atterbury	170,719	$285,805	610,572	179,767	$ 0	$ 154,597
James D. Ellis	8,758	$ 38,496	1,204,566	282,662	$ 285,359	$ 333,173
Randall L. Stephenson	10,446	$ 37,945	524,413	212,219	$ 100,764	$ 217,366
Rayford Wilkins, Jr.	44,240	$138,733	589,165	171,223	$ 99,560	$ 152,162

. Long-term Incentive Plans--Awards in Last Fiscal Year

The table below reports performance shares and phantom stock units granted to the Named Officers during the last fiscal year, applicable to the performance periods indicated.

Name	Number of Shares, Units or Other Rights	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans: Threshold	Target	Maximum
Edward E. Whitacre, Jr.	915,691	2004-2006	0	915,691	1,487,998
John H. Atterbury	135,708	2004-2006	0	135,708	203,562
James D. Ellis	161,154	2004-2006	0	161,154	241,731
Randall L. Stephenson	148,430	2004-2006	0	148,430	222,645
Rayford Wilkins, Jr.	135,708	2004-2006	0	135,708	203,562

Each performance share is equivalent in value to one share of SBC common stock. At the end of the three-year performance period, a percentage of the performance shares is converted 50% into cash and 50% into SBC common stock. The percentage of performance shares earned is dependent upon the achievement of a performance objective based on return on invested capital. In addition, 25% of Mr. Whitacre's award is based on the total stockholder return of SBC as compared to a group of telecommunications companies. Each level of achievement of a performance objective is assigned a payout percentage ranging from 0% to 150% (0% to 200% for the total stockholder return measurement), with higher percentages reflecting greater performance achievement. Achievement of the target objective results in a 100% payout. To the extent an award exceeds 400,000 performance shares, it is made in the form of phantom stock units having the same terms as performance shares, except that upon achieving the performance goals, they are paid only in cash.

. Option Grants in Last Fiscal Year

The table below contains the estimated present value of stock options granted in 2004 as of their issue date. The options were issued under a stock purchase plan where mid-level and above managers received options based on the number of SBC shares they purchased.

Name	Grant	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/ Share)	Expiration Date	Grant Date Present Value ($000s)
Edward E. Whitacre, Jr.	A	52,935	1.48%	$26.46	01/31/2014	$ 232
	B	347,065	9.73%	$23.74	05/30/2014	$1,303
John H. Atterbury	A	10,869	0.30%	$26.46	01/31/2014	$ 48
	B	1,279	0.04%	$23.74	05/30/2014	$ 5
James D. Ellis	A	16,428	0.46%	$2		