

BELLSOUTH CORP
Form DEFA14A
March 31, 2006

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

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))**
- Definitive Proxy Statement**
- Definitive Additional Materials**
- Soliciting Material Pursuant to Rule 14a-12**

BELLSOUTH CORPORATION

(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):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**Supplement A D01 Example
Merger Benefits & Compensation Summary Sheet
For Director-Level**

Benefits: *From now until closing*, the current benefit plans and compensation programs will continue in the normal course (however, BellSouth maintains the right to modify or terminate any of these programs in accordance with their terms).

At closing, AT&T has agreed to continue the same aggregate level of compensation and benefits (under plans in effect on March 4, 2006) for former BellSouth employees until the later of 1 year following closing or 12/31/07.

Bonuses: *2006* Current terms apply and will be paid in accordance with current bonus program.

2007 If closing has not occurred by 3/1/07, BellSouth has option to set annual bonuses for

\$19,550 *2007* and also may determine achievement prior to closing so that a pro-rata portion of the bonus would be based on BellSouth performance (through closing).

Performance

Shares: *At closing*, performance shares will vest and payout pro-rata based on actual achievement of performance goals. Remaining performance shares will be forfeited. Payments will be made by AT&T as soon as administratively practicable following the closing.

\$48,100

Within 60 days following closing, AT&T will grant replacement performance shares (with new performance measures) in an amount approximately equal to the value of the performance shares forfeited at closing.

Severance: For 2 years following the closing, because AT&T has no obligation to maintain employment of any particular employee, AT&T will maintain a severance plan with the following terms. Upon a qualifying termination:

\$172,500 · *Severance pay* 7% of base pay per year of service (minimum 50% and maximum 150%).

\$3,258 · *Bonus for year of termination* pro-rated at target

· *Health benefits* rule of 65 retiree medical and 6 months paid COBRA for others

\$67,771 · *Restricted Stock and Restricted Stock Units* fully vest as of date of termination

\$22,268 · *Performance Shares* replacement AT&T performance shares fully vest as of date of termination and are paid out based on actual performance at end of performance period

· *Telephone concession* rule of 65 telephone concession

· *Outplacement*

\$265,798

Note: A qualifying termination is a termination by AT&T of an employee's employment without cause or a termination by the employee with good reason (as those terms are defined in the applicable plan(s) or agreement(s)). Employees

must give AT&T prompt notice of an event constituting good reason.

Overview Only eligibility and benefits are controlled by the terms of the official Plan documents and Summary Plan Descriptions

for the applicable severance plans, severance agreements, merger agreement and underlying benefit plans and programs.

NOTE: *In connection with the proposed merger, AT&T intends to file a registration statement on Form S-4, including a joint proxy statement of AT&T and BellSouth, and AT&T and BellSouth will file other materials with the Securities and Exchange Commission (the SEC). Investors are urged to read the registration statement, including the joint proxy statement (and all amendments and supplements to it) and other materials when they become available because they contain important information. Investors will be able to obtain free copies of the registration and joint proxy statement, when they become available, as well as other filings containing information about AT&T and BellSouth, without charge, at the SEC's Web site (www.sec.gov). Copies of AT&T's filings may also be obtained for free from AT&T at AT&T's Web site (www.att.com) or by directing a request to AT&T Inc. Stockholder Services, 175 E. Houston, San Antonio, Texas 78258. Copies of BellSouth's filings may be obtained without charge from BellSouth at BellSouth's Web site (www.bellsouth.com) or by directing a request to BellSouth at Investor Relations, 1155 Peachtree Street, Atlanta, Georgia 30309.*

AT&T, BellSouth and their respective directors and executive officers and other members of management and employees are potential participants in the solicitation of proxies in respect of the proposed merger. Information regarding AT&T's directors and executive officers is available in AT&T's 2005 Annual Report on Form 10-K filed with the SEC on March 1, 2006 and AT&T's preliminary proxy statement for its 2006 annual meeting of stockholders, filed with the SEC on February 10, 2006, and information regarding BellSouth's directors and executive officers is available in BellSouth's 2005 Annual Report on Form 10-K filed with the SEC on February 28, 2006 and BellSouth's proxy statement for its 2006 annual meeting of shareholders, filed with the SEC on March 3, 2006. Additional information regarding the interests of such potential participants will be included in the registration and joint proxy statement, and the other relevant documents filed with the SEC when they become available.

NOTE: This document only summarizes benefits and other employee programs, and individual situations may vary. For full details, including eligibility, you should consult the summary plan descriptions, summaries of material modifications or the official plan documents. If a benefit program or policy does not have an SPD or SMM, you should consult the company policy or guideline. In all cases, the official plan documents and company policies govern and are the final authority on the terms of the plans and programs. The Company reserves the right to terminate or amend any and all benefits plans and programs. Participation in a benefit plan or program is neither a contract nor a guarantee of future employment.

**Supplement B D01 Example
Merger Benefits and Compensation Summary Sheet
For Directors**

**Understanding Individual
Compensation Values**

The following example illustrates how different compensation components would be impacted by the anticipated merger. This example is based on the following assumptions:

Job Grade D01
Equivalent: \$115,000
Base Salary: 22
Completed Years of Service: Rule of 65
Retirement: 12/31/2006
Eligibility: 2/28/2007
Assumed Close Date:
Involuntary Separation Date:

NOTE: This document only summarizes benefits and other employee programs, and individual situations may vary. For full details, including eligibility, you should consult the summary plan descriptions, summaries of material modifications or the official plan documents. If a benefit program or policy does not have an SPD or SMM, you should consult the company policy or guideline. In all cases, the official plan documents and company policies govern and are the final authority on the terms of the plans and programs. The AT&T & BellSouth companies, respectively, reserve the right to terminate or amend any and all benefits plans and programs. Participation in a benefit plan or program is neither a contract nor a guarantee of future employment.

ESTIMATES / WORKSHEET ONLY

This information, and the estimates and projections included, are intended only to provide an example of compensation amounts to which someone at your job grade may become entitled under a given set of assumptions. Actual eligibility for and compensation amounts payable to you will be determined in accordance with the terms of the various underlying compensation programs and grant agreements applicable to you. This worksheet is not, nor is it intended to be, a governing document with respect to any of the compensation programs discussed or described. Every effort has been made to ensure the accuracy of the calculations provided; however, in the event of a discrepancy between this document and the governing documents, the governing documents will control in all circumstances. The actual amounts payable to you, if any, will be determined in accordance with the governing documents and will be calculated at the time of separation from employment or when such benefits are otherwise payable, whichever is appropriate.

2006 Bonus (Paid in 2007)

| Base Salary | X | Target Bonus | = | Target Bonus | X | Company Performance | X | Personal Performance | = | Bonus Payout |
|--------------------|----------|---------------------|----------|---------------------|----------|----------------------------|----------|-----------------------------|----------|---------------------|
| \$115,000 | | 17% | | \$19,550 | | 100% | | 100% | | \$19,550 |

Performance Share Awards (Paid At Closing)

Individual performance share award grant levels are posted at Benefits@Your Fingertips, on the Your Total Rewards site

| Performance Period | Performance Measure | Performance Shares Granted | X | Final Performance Factor ¹ | = | Earned Shares | X | BellSouth Stock Price ² | + | Dividend per Earned Share | X | Earned Portion of Award at Closing | = | Award Payment | For Award |
|--------------------|---------------------|----------------------------|---|---------------------------------------|---|---------------|---|------------------------------------|---|---------------------------|---|------------------------------------|---|-----------------------------|-------------|
| 2006 | TSR | 350 | | 70% | | 245 | | \$34.28 | | \$3.44 | | 100% | | \$9,241 | |
| 2006 | ROIC | 350 | | 100% | | 350 | | \$34.28 | | \$3.44 | | 100% | | \$13,202 | |
| Performance Period | Performance Measure | Performance Shares Granted | X | Final Performance Factor ¹ | = | Earned Shares | X | BellSouth Stock Price ² | + | Dividend per Earned Share | X | Earned Portion of Award at Closing | = | Award Payment | For Award |
| 2007 | TSR | 350 | | 120% | | 420 | | \$34.28 | | \$3.44 | | 67% | | \$10,562 | \$ |
| 2007 | ROIC | 350 | | 100% | | 350 | | \$34.28 | | \$3.44 | | 67% | | \$8,801 | \$ |
| Performance Period | Performance Measure | Performance Shares Granted | X | Final Performance Factor ¹ | = | Earned Shares | X | BellSouth Stock Price ² | + | Dividend per Earned Share | X | Earned Portion of Award at Closing | = | Award Payment | For Award |
| 2008 | TSR | 250 | | 100% | | 250 | | \$34.28 | | \$3.48 | | 33% | | \$3,147 | \$6 |
| 2008 | ROIC | 250 | | 100% | | 250 | | \$34.28 | | \$3.48 | | 33% | | \$3,147 | \$6 |
| | | | | | | | | | | | | | | \$48,100³ | \$22 |

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¹ Actual performance as of 12/31/05;

² Closing price as of 3/22/06, actual price will be as defined in grant agreement;

³ The earned portion of each award is paid in cash after closing.

⁴ For performance share value that is forfeited, AT&T will

grant
replacement
performance
shares equal to
approximately
the forfeited
value. These
AT&T
performance
shares are fully
earned upon
qualifying
termination and
will be paid out
at the end of the
performance
period;

⁵ AT&T closing
price as of
3/22/06, actual
price will be
defined in grant
agreement.

Supplement B D01 Example
Merger Benefits and Compensation Summary Sheet
For Directors

Severance (only applicable upon qualifying involuntary termination within the two year period following closing)

| | | | | | | | | |
|-----------------------------------|----------|-----------|----------|---|----------|--------------------|----------|--------------------------|
| Years of Completed Service | X | 7% | = | Minimum = 50% Maximum = 150% | X | Base Salary | = | Severance Payment |
| 22 | | 7% | | 150% | | \$115,000 | | \$172,500 |

2007 Bonus (Normally payable in 2008)

| | | | | | | | | | | |
|--------------------|----------|---------------------|---------------------|----------|----------------------------|----------|-------------------------------------|----------|--|---------------------------------|
| Base Salary | X | Target Bonus | Target Bonus | X | Company Performance | X | Personal Performance = Bonus | X | Earned Portion of Bonus at Separation | Prorated Bonus = Payment |
| \$115,000 | | 17% | \$19,550 | | 100% | | 100% | | 17% | \$3,258 |

Unvested Restricted Stock

| | | | | | | | | |
|-------------------|------------------------------|----------|--------------------------------------|----------|------------------------------|----------|---|------------------------|
| Grant Year | Unvested Shares/Units | X | Conversion to AT&T Shares | = | Total AT&T Shares | X | Estimated AT&T Stock Price⁵ | Estimated Value |
| 2004 | 700 | | 1.325 | | 928 | | \$26.92 | \$24,968 |
| 2005 | 700 | | 1.325 | | 928 | | \$26.92 | \$24,968 |
| 2006 | 500 | | 1.325 | | 663 | | \$26.92 | \$17,835 |
| | 1,900 | | | | 2,518 | | | \$67,771 |

Total Severance Value Includes the sum of Severance Pay, 2007 prorated Bonus, Restricted Stock and Forfeited Performance Share Value **\$265,798**

This illustration does not include any value for SERP, Deferred Compensation, Supplemental Life, Telephone Concession or Outplacement.

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copies of the registration and joint proxy statement, when they become available, as well as other filings containing information about AT&T and BellSouth, without charge, at the SEC's Web site (www.sec.gov). Copies of AT&T's filings may also be obtained for free from AT&T at AT&T's Web site (www.att.com) or by directing a request to AT&T Inc. Stockholder Services, 175 E. Houston, San Antonio, Texas 78258. Copies of BellSouth's filings may be obtained without charge from BellSouth at BellSouth's Web site (www.bellsouth.com) or by directing a request to BellSouth at Investor Relations, 1155 Peachtree Street, Atlanta, Georgia 30309.

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