

BELLSOUTH CORP
Form DEFR14A
March 03, 2006

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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. 1)

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 §240.14a-12

BellSouth Corporation

(Name of Registrant as Specified In Its Charter)

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

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BellSouth Corporation
1155 Peachtree Street, N.E.
Atlanta, Georgia 30309

March 10, 2006

To My Fellow Shareholders:

It is my pleasure to invite you to attend the 2006 Annual Meeting of BellSouth Shareholders to be held on Monday, April 24th in Atlanta, Georgia. The meeting will begin with a discussion of and voting on the matters described in the attached Proxy Statement and Notice of Annual Meeting, followed by my report on BellSouth's financial performance and operations.

The attached Proxy Statement is a critical element of the corporate governance process. Its purpose is to answer your questions, and to provide you with information about BellSouth's Board of Directors and executive officers and a discussion of proposals that require your vote.

Your vote is important to us. It is important that your views be represented whether or not you plan to attend the Annual Meeting. The Board's recommendations are included with the description of each proposal in this Proxy Statement. In summary, the Board recommends that shareholders vote "FOR" proposals 1 and 2 and "AGAINST" proposal 3. We encourage you to take the time to read each of the proposals and vote promptly by using either the Internet or telephone, or by returning a completed proxy card.

We look forward to seeing you at the 2006 Annual Meeting. For your convenience, a map and directions are provided on the back of this document. If you are unable to attend in person, you can access a webcast of the Annual Meeting at our website, www.bellsouth.com/investor. On behalf of the management and directors of BellSouth Corporation, I want to thank you for your continued support and confidence in BellSouth.

Sincerely,

Duane Ackerman
Chairman of the Board and Chief Executive Officer

NOTICE OF THE 2006 ANNUAL MEETING OF SHAREHOLDERS

DATE AND TIME Monday, April 24, 2006. The meeting will begin promptly at 9:00 a.m. Eastern time.

PLACE Cobb Galleria Centre Ballroom, 2 Galleria Parkway, Atlanta, Georgia 30339

Directions are printed on the back of this document and on the proxy card for registered shareholders.

WEBCAST You can access the live audio and slides presented at the 2006 Annual Meeting on our website at www.bellsouth.com/investor.

ITEMS OF BUSINESS

Elect eleven directors to serve until the next annual meeting.

Ratify the appointment of PricewaterhouseCoopers LLP as BellSouth's independent registered public accounting firm for the year 2006.

Vote on a shareholder proposal, if presented at the meeting.

Transact such other business as may properly come before the meeting and any adjournment or postponement.

WHO MAY VOTE You can vote if you were a shareholder of record on March 6, 2006. Your shares can be voted at the meeting only if you are present or represented by a valid proxy.

PROXY VOTING

Your vote is important. Please vote as soon as possible in one of these ways, even if you plan to attend the meeting:

By Internet visit the website on the proxy card or in your e-mail notice; or

By telephone use the toll-free telephone number on the proxy card; or

By mail mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope.

You may also submit a ballot at the Annual Meeting of Shareholders on April 24, 2006.

ADMISSION Shareholders who owned BellSouth stock as of the record date will be admitted to the Annual Meeting with verification of stock ownership, such as your account statement or the admission card attached to your proxy card.

By order of the BellSouth Board of Directors,

Rebecca M. Dunn
Senior Vice President Corporate Compliance and Corporate Secretary

March 10, 2006

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PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT VOTING AND THE ANNUAL MEETING

What is the purpose of this Proxy Statement?

The purpose of this Proxy Statement is to provide information regarding matters to be voted on at the 2006 Annual Meeting of BellSouth Shareholders. Additionally, it contains certain information that the Securities and Exchange Commission requires BellSouth to provide annually to its shareholders. The Proxy Statement is also the document used by BellSouth's Board of Directors to solicit proxies to be used at the 2006 Annual Meeting. Proxies are solicited to give all shareholders of record an opportunity to vote on the matters to be presented at the Annual Meeting, even if they cannot attend the meeting. The Board has designated a Directors' Proxy Committee, which will vote the shares represented by proxies at the Annual Meeting in the manner indicated by the proxies. The members of the Directors' Proxy Committee are James P. Kelly, Leo F. Mullin and William S. Stavropoulos.

The Proxy Statement and the accompanying proxy card are being mailed to BellSouth shareholders beginning on or about March 10, 2006.

Who is entitled to vote on the matters discussed in the Proxy Statement?

You are entitled to vote if you were a shareholder of record of BellSouth stock as of the close of business on March 6, 2006. Your shares can be voted at the meeting only if you are present or represented by a valid proxy.

What proposals will require my vote?

You are being asked to vote on the following:

the election of eleven director nominees (Proposal 1);

the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for the year 2006 (Proposal 2);

the shareholder proposal described in this Proxy Statement, if presented at the Annual Meeting (Proposal 3); and

any other business properly coming before the meeting and any adjournment or postponement.

How does the Board of Directors recommend that I vote?

The Board recommends that you vote:

"FOR" election of the eleven director nominees (Proposal 1);

"FOR" ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year 2006 (Proposal 2); and

"AGAINST" the shareholder proposal (Proposal 3).

How can I vote?

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You can vote in person by completing a ballot at the Annual Meeting, or you can vote prior to the meeting by proxy. Even if you plan to attend the meeting, we encourage you to vote your shares as soon as possible by proxy. You can vote by proxy using the Internet, by telephone or by mail, as discussed below.

How do I vote by proxy?

Vote by Internet: You can vote your shares using the Internet. With the enclosed proxy card in hand, go to the website indicated on the proxy card and follow the instructions. Internet voting is available twenty-four hours a day, seven days a week until 11:00 p.m. Eastern time on April 23, 2006. You will be given the opportunity to confirm that your instructions have been properly recorded. If you vote on the Internet, you do **NOT** need to return your proxy card.

Vote by Telephone: You can vote your shares by telephone if you have a Touch-Tone phone. With the enclosed proxy card in hand, call the toll-free telephone number shown on the proxy card and follow the instructions. Telephone voting is

available twenty-four hours a day, seven days a week until 11:00 p.m. Eastern time on April 23, 2006. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. If you vote by telephone, you do **NOT** need to return your proxy card.

Vote by Mail: If you prefer to vote by mail, mark the proxy card, date and sign it, and return it in the postage-paid envelope provided. If you sign the proxy card but do not specify how you want your shares to be voted, your shares will be voted by the Directors' Proxy Committee in favor of the election of all of the director nominees and in accordance with the directors' recommendations on the other proposals listed on the proxy card. All properly executed proxy cards received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated by those proxy cards.

If you are an employee of BellSouth or Cingular Wireless LLC ("Cingular") participating in certain employee plans, please refer to, "How are my employee plan shares voted?" on page 5 for a discussion regarding the deadline for voting your proxy.

If you hold your shares in "street or beneficial name" (that is, you hold your shares through a broker, bank, or other nominee), your ability to vote by telephone or the Internet depends on the voting processes of the broker, bank or other nominee. Please follow the instructions on the voting instruction form or proxy card carefully.

Can I assign my proxy to someone else?

If you want to assign your proxy to someone other than the Directors' Proxy Committee, you should cross out the names of the Committee members appearing on the proxy card and insert the name(s) of up to three other people. The person(s) you have assigned to represent you must present your signed proxy card and a completed ballot at the meeting to vote your shares.

Can I change my mind after I vote?

If you vote by proxy, you can revoke that proxy at any time before it is voted at the meeting. You can do this in one of the following three ways:

- (1) vote again on the Internet or by telephone prior to the meeting; or
- (2) sign another proxy card with a later date and return it to us prior to the meeting; or
- (3) attend the annual meeting in person and cast a ballot.

If you are an employee of BellSouth or Cingular participating in certain employee plans, please refer to, "How are my employee plan shares voted?" on page 5 for a discussion regarding the deadline for voting your proxy.

How will a proposal or other matter that was not included in the Proxy Statement be handled for voting purposes if it comes up at the Annual Meeting?

If any matter that is not described in this Proxy Statement should properly come before the meeting, the Directors' Proxy Committee will vote the shares represented by it in accordance with its members' best judgment. The Directors' Proxy Committee will not use its discretionary voting authority with respect to any validly conducted solicitation in opposition. In addition, shares represented by proxy cards that are marked to deny discretionary authority to the Directors' Proxy Committee on other matters considered at the meeting will not be voted on these matters and will not be counted in determining the number of votes cast with respect to those matters. At the time this Proxy Statement went to press, the Company did not know of any other matters that might be presented for shareholder action at the Annual Meeting.

What constitutes a quorum for the Annual Meeting?

Forty percent of the voting power of the outstanding shares of BellSouth common stock as of the close of business on the record date, March 6, 2006, must be present, either in person or represented by proxy, to constitute a quorum necessary to conduct the Annual Meeting. On January 31, 2006, there were 1,814,341,987 shares of BellSouth common stock outstanding. This total includes shares issued to certain grantor trusts, which are not considered outstanding for financial reporting purposes. Shares represented by proxies received but marked as abstentions or as withholding voting

authority for any or all director nominees, and shares represented by proxies received but reflecting broker non-votes, will be counted as present at the meeting for purposes of establishing a quorum.

What vote is required to approve each proposal, and how will my vote be counted?

Election of Directors: Directors are elected by a plurality of the votes, which means that the eleven nominees who receive the highest number of properly executed votes will be elected as directors, even if those nominees do not receive a majority of the votes cast. Each share of BellSouth stock is entitled to one vote for each of the eleven director nominees. Shares represented by proxies that are marked "withhold authority" for the election of one or more director nominees will not be counted in determining the number of votes cast for those persons.

Ratification of the Appointment of the Independent Registered Public Accounting Firm: Approval of this proposal requires the affirmative vote of a majority of the votes cast. Any shares that are not voted (whether by abstention or otherwise) will have no impact on the vote.

Shareholder Proposal: Approval of the shareholder proposal requires the affirmative vote of a majority of the votes cast. Any shares that are not voted (whether by abstention or otherwise) will have no impact on the vote.

How many votes am I entitled to per share?

Each share of BellSouth stock represented at the Annual Meeting is entitled to one vote on each matter properly brought before the meeting. All shares entitled to vote and represented by properly executed proxies received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated by those proxies.

Who will tabulate and certify the vote?

Representatives of the Company's transfer agent, Mellon Investor Services LLC, will tabulate the vote, which will be certified by an independent inspector of elections.

What is the difference between a registered shareholder and a beneficial holder of shares?

If your BellSouth shares are registered directly in your name with our transfer agent, Mellon Investor Services LLC, you are considered a "registered shareholder" with respect to those shares. If this is the case, the proxy materials have been sent or provided directly to you by BellSouth.

If your BellSouth shares are held in a stock brokerage account or by a bank or other nominee, you are considered the "beneficial holder" of the shares held for you in what is known as "street name." If this is the case, the proxy materials have been forwarded to you by your brokerage firm, bank or other nominee, or their agent which is considered the shareholder of record with respect to these shares. As the beneficial holder, you have the right to direct your broker, bank or other nominee as to how to vote your shares by using the voting instruction form or proxy card included in the proxy materials, or by voting via telephone or the Internet. Follow the voting instructions provided by your brokerage firm, bank or other nominee, or their agent.

I am a beneficial holder. How are my shares voted if I do not return voting instructions?

Your shares may be voted if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority, under the rules of the New York Stock Exchange, to vote shares on certain "routine" matters for which their customers do not provide voting instructions by the tenth day before the meeting. The election of directors and the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company are considered routine matters. The shareholder proposal in this year's Proxy Statement is not considered "routine" under the applicable rules. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial holder of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a "broker non-vote." In tabulating the voting result for any particular proposal, shares that are subject to broker non-votes with respect to that proposal will not be considered voted either for or against it. Because all three proposals scheduled to be voted on at the Annual Meeting will be decided by a majority or plurality of the votes cast, broker non-votes on any one of those

proposals will have no effect on the outcome of the vote on that proposal at the Annual Meeting, assuming that a quorum is obtained.

What is "householding" and how does it affect me?

Householding is a program, approved by the Securities and Exchange Commission, which allows the delivery of only one package of shareholder proxy materials if there are multiple BellSouth shareholders who live at the same address. This means that, if your household participates in the householding program, you will receive an envelope containing one set of proxy materials and a separate proxy card for each shareholder account in the household. Please vote all proxy cards enclosed in the package.

Participation in householding will not impact or apply to any of your other shareholder mailings, such as dividend checks, Forms 1099 or account statements. If you are a registered shareholder, your participation in householding continues until you or any member of your household revokes his or her implied consent by calling BellSouth Shareholder Services at 1-800-631-6001 and requesting to opt out. Alternatively, you may revoke your consent by writing to BellSouth Shareholder Services, P.O. Box 3336, South Hackensack, N.J. 07606-1936. If you live in an eligible household that is not currently participating in this program and are receiving multiple copies of the Annual Report and Proxy Statement, you can request to participate in householding by contacting BellSouth Shareholder Services at 1-800-631-6001.

If you are a beneficial holder, you can request information about householding from your broker, bank or other nominee.

Householding saves BellSouth money by reducing printing and postage costs, and it is environmentally friendly. It also creates less paper for participating shareholders to manage.

What does it mean if I receive more than one BellSouth shareholder package?

If you receive more than one package of shareholder proxy materials, this means that you have multiple accounts holding BellSouth shares with brokers and/or our transfer agent. Please vote all of your shares by voting the proxy card included in each package. Additionally, to avoid receiving multiple sets of materials in the future, we recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. If you are a beneficial holder, please call your broker for instructions. If you are a registered shareholder, contact BellSouth Shareholder Services at 1-800-631-6001 for instructions regarding how to consolidate multiple accounts or arrange for householding.

How are my employee plan shares voted?

For Employees of BellSouth: If you are a registered shareholder and/or own BellSouth stock in the Savings and Security Plan ("SSP") and/or the BellSouth Retirement Savings Plan ("BRSP"), and the accounts are registered in the same name, you will receive one proxy card representing your combined shares that will serve as voting instructions to the Directors' Proxy Committee, if applicable, and also to the trustees of those plans.

For Employees of Cingular: If you own BellSouth stock through the Cingular Wireless 401(k) Savings Plan, and you are also a registered BellSouth shareholder with your account in the same name, you will receive one proxy card representing the combined shares that will serve as voting instructions to the Directors' Proxy Committee, if applicable, and also to the trustee of that plan.

Participants in the BellSouth and Cingular employee plans must vote their proxies no later than 9:00 a.m. Eastern time on Friday, April 21, 2006. The trustees will vote plan shares that are not voted by this deadline in the same proportion as the shares that are voted within each plan. Participants in the employee plans may not vote the shares owned through those plans after that point in time, including at the Annual Meeting.

What happens if I abstain from voting?

If your shares are represented at the Annual Meeting, in person or by proxy, but you abstain from voting on a matter, or include instructions in your proxy to abstain from voting on a matter, your shares will be counted for the purpose of determining if a quorum is present, but will not be counted as either an affirmative vote or a negative vote with respect to that matter. Because all three proposals scheduled to come before the meeting will be decided by a majority or plurality

of the votes cast, an abstention on one of those proposals will have no effect on the outcome of the vote on that proposal, assuming that a quorum is obtained.

What do I need to do if I want to attend the Annual Meeting?

You do not need to make a reservation to attend the Annual Meeting. However, please note that you will need to demonstrate that you are a BellSouth shareholder to be admitted to the meeting. If your shares are registered in your name, an admission card is attached to the enclosed proxy card. Bring the admission card with you to the meeting. If your shares are held in the name of your broker, bank or other nominee, you will need to bring evidence of your stock ownership, such as your most recent account statement. If you do not have an admission card or proof that you own BellSouth stock, you may not be admitted to the meeting.

Attendance at the Annual Meeting is limited to BellSouth shareholders, members of their immediate families or their named representatives. BellSouth reserves the right to limit the number of representatives who may attend the meeting.

Can I view the Proxy Statement and Annual Report over the Internet instead of receiving them in the mail?

If you are a registered BellSouth shareholder, you can elect to receive notice of all your future proxy materials over the Internet by enrolling in MLinksm. MLink is a service offered by our transfer agent, Mellon Investor Services LLC, that allows you convenient and easy online access to your shareholder communications. If you enroll in MLink, your proxy materials, including the annual report and proxy statement, will be made available to you via an e-mail notification with a hyperlink to the voting site containing the information. You can obtain more information and enroll in MLink by accessing your registered shareholder account at www.melloninvestor.com/isd.

Please be aware that if you enroll in MLink to obtain electronic copies of your proxy materials, all of your shareholder communications, including BellSouth Direct Investment Plan statements, notices of direct deposit of dividends, other transaction advices, and Internal Revenue Service ("IRS") Forms 1099, will be available to you only online. You will no longer receive them via U.S. mail.

You can cancel your MLink enrollment at any time by accessing your personal profile on your online shareholder account, or by calling 1-800-631-6001.

If you hold your BellSouth stock through a broker, bank or other nominee, please refer to the information provided by that entity for instructions regarding how to elect to view future proxy statements and annual reports over the Internet.

STRUCTURE AND PRACTICES OF THE BOARD OF DIRECTORS

Corporate Governance Philosophy

The Board of Directors oversees the business of BellSouth in accordance with the Georgia Business Corporation Code, as implemented by the Company's Articles of Incorporation and By-laws. The principal role of the Board of Directors is to govern the affairs of the Company for the benefit of its shareholders. To the extent appropriate under Georgia law, the Board also considers the interests of other constituencies, which include the Company's employees, customers, suppliers and the communities in which it does business. The Board strives to promote the success of the Company's business through the election of qualified executive officers. BellSouth's Board of Directors and management team are committed to conducting the business of the corporation in accordance with high standards of ethics, corporate governance and disclosure.

The Board is responsible for overseeing management's implementation of the Company's ethics and compliance program. Under that program, employees are required to conduct the Company's activities in an ethical and lawful manner. As part of the ethics and compliance program, the Company has established, and the Board of Directors has approved, a code of conduct entitled "Our Values in Action." It governs the way we treat our customers and co-workers, guides our community interactions, and strengthens our commitment to excellence and integrity.

"Our Values in Action" applies to our directors, officers and all of our employees, including our Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer and Controller. The code satisfies the Securities and Exchange Commission's requirements for a code of ethics for senior financial officers. Any waiver of the code for a member of the Board of Directors or an executive officer requires the approval of the Audit Committee and will be promptly disclosed on our website. No waivers have been granted under the code. All employees are expected to report any situation where they believe our internal policies or external laws are being violated.

The Board has adopted Corporate Governance Principles that set forth the guidelines for the operation of the Board and its Committees. The Board conducts an annual review of the Company's governance practices and procedures, evaluating them against corporate governance best practices.

"Our Values in Action" and the Corporate Governance Principles are available on the Company's website at www.bellsouth.com/corporate_governance. Printed copies of "Our Values in Action" and the Corporate Governance Principles can be obtained, without charge, by contacting the Office of the Corporate Secretary, BellSouth Corporation, Suite 19A01, 1155 Peachtree Street, N.E., Atlanta, Georgia 30309-3610.

Standards of Independence for BellSouth's Board of Directors

BellSouth has established categorical standards of independence for the Board of Directors. These standards, outlined in the Corporate Governance Principles, comply with the standards of independence set forth by the New York Stock Exchange. Under the BellSouth standards, an independent director is one who has been determined by the Board of Directors to have no material relationship with BellSouth and who otherwise:

has never been an employee of BellSouth or any of its subsidiaries;

is not an immediate family member of a current or former executive officer of BellSouth or any of its subsidiaries;

has not been employed, or whose immediate family member has not been employed, within the preceding three years, as an executive officer of another company where any of BellSouth's current executives serve on that company's compensation committee;

has no personal interest in any significant transactions or business relationships with BellSouth that would create a conflict of interest;

has not been employed by a company providing services to BellSouth of a nature or magnitude that would compromise the objectivity of the Board member. A director will not be considered to meet this criteria if the director is an executive officer or an employee, or an immediate family member is an executive officer, of a company that has made payments to, or received payments from, BellSouth for property or services in an amount:

(A)

that accounts for at least 2% or \$1 million, whichever is greater, of BellSouth's consolidated gross revenues; or

(B)

for which BellSouth accounts for at least 2% or \$1 million, whichever is greater, of such other company's consolidated gross revenues, until three years after falling below such threshold;

has not received any significant direct or indirect compensation or benefits from BellSouth other than that received for services as a director. A director will be considered to receive significant compensation from BellSouth if the director receives, or an immediate family member of the director receives, more than \$100,000 in any twelve month period in direct compensation from BellSouth, other than the standard compensation paid to directors generally (provided such compensation is not contingent in any way on continued service), until three years after he or she ceases to receive such compensation;

is not, or an immediate family member is not, a current partner of a firm that is BellSouth's internal or external auditor; is not a current employee of such a firm; does not have 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 has not been, or an immediate family member has not been, within the last three years (but is no longer) a partner or employee of such a firm and personally worked on BellSouth's audit within that time; and

does not serve, or whose spouse does not serve, as an officer, director or trustee of a not-for-profit organization to which BellSouth has made charitable contributions which, in the aggregate, are greater than 2% or \$1 million (whichever is greater) of that organization's total revenues for its last fiscal year. (BellSouth's matching of employee charitable contributions will not be included in determining the amount of BellSouth's contributions for this purpose.)

Additionally, Audit Committee members must not receive any compensation from BellSouth other than directors' fees and must not be affiliated persons of the Company, other than by virtue of their directorship.

Independence of Directors

The Board annually assesses the outside affiliations of each director to determine if any of these affiliations could cause a potential conflict of interest or could interfere with the independence of the director based on the standards of independence set forth above. Based on information furnished by all members regarding their relationships with BellSouth and research conducted by management with respect to outside affiliations, the Board has determined that the following directors are independent: Reuben V. Anderson, James H. Blanchard, J. Hyatt Brown, Armando M. Codina, Kathleen F. Feldstein, James P. Kelly, Leo F. Mullin, Robin B. Smith and William S. Stavropoulos. None of these directors (referred to in this Proxy Statement as "non-management directors") has a material relationship with BellSouth, and each is independent because:

they each satisfy the independence standards set forth above;

they each satisfy the independence standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934; and

they each satisfy the criteria for independence set forth in Rule 303A.02(b) of the New York Stock Exchange Listed Company Manual.

Independence of Committee Members

Each of the members of the Audit, Director Nominating and Corporate Governance, and Executive Nominating and Compensation Committees is independent in accordance with the New York Stock Exchange listing standards and the director independence standards set forth above. No

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member of the Audit Committee receives any compensation from BellSouth other than directors' fees or is an affiliated person of BellSouth (other than by virtue of his or her directorship). Members of the Executive Nominating and Compensation Committee meet the additional standards applicable to "outside directors" under Internal Revenue Code Section 162(m) and qualify as "non-employee directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934.

Related Party Transactions

The independent directors listed in the following paragraphs are affiliated with companies that have business relationships with the Company. The Board of Directors has determined that none of these relationships is material and that the relationships do not prevent the directors from being "independent directors."

Reuben V. Anderson is a partner in the law firm of Phelps Dunbar, located in Jackson, Mississippi. During 2005, two subsidiaries of BellSouth retained Phelps Dunbar regarding certain legal matters. The amount of fees paid to Phelps Dunbar for such services was approximately \$178,000, which was less than 2% of the firm's gross revenues for the last fiscal year. In making the determination that this relationship is not material and does not prevent Mr. Anderson from being an "independent director," the Board took into account the fact that the fees paid to Phelps Dunbar are comparable to those paid to other law firms for similar services, and that the amount of fees paid to Phelps Dunbar by BellSouth is insignificant both to BellSouth and to the firm.

James H. Blanchard is Chairman of the Board of Synovus Financial Corp. Its subsidiary, Creative Financial Group, Ltd., provides financial planning services on a non-exclusive basis to employees of the Company under an employee benefit plan. The amount paid by the Company to Creative Financial Group under the plan was approximately \$343,000 in 2005, which was less than 2% of Synovus' gross revenues for the last fiscal year. In making the determination that this relationship is not material and does not prevent Mr. Blanchard from being an "independent director," the Board took into account the fact that the fees paid to Creative Financial Group are comparable to those paid to other financial planning companies for similar services, and that the amount of fees paid to Creative Financial Group is insignificant both to BellSouth and to Synovus.

Armando M. Codina is Chairman of the Board and Chief Executive Officer of Codina Group, Inc. During 2002, Sunlink Corporation, the Company's real estate subsidiary, engaged Codina Realty Services, Inc., a subsidiary of Codina Group, to handle the sale of a BellSouth property. The transaction to sell this property was consummated in 2005. The broker's fee paid to Codina Group was approximately \$812,000, which was less than 2% of the firm's gross revenues for the last fiscal year. In making the determination that this relationship is not material and does not prevent Mr. Codina from being an "independent director," the Board took into account the fact that the fees paid to Codina Group were comparable to fees paid to other brokerage firms for similar services and that the amount of the fees is insignificant both to BellSouth and to Codina Group.

Director Nomination Process

BellSouth believes that it is important to have a strong, independent Board of Directors that is accountable to the Company's owners. As provided in its Charter, the Director Nominating and Corporate Governance Committee is responsible for identifying qualified individuals as candidates to become directors. The Committee seeks input from the Chairman of the Board, other Board members and a professional search firm retained by the Committee. It also considers and evaluates any candidates recommended by shareholders.

In accordance with the Company's Corporate Governance Principles, the Committee seeks to establish a Board that will bring to the Company a broad range of experience, knowledge and judgment. A candidate's breadth of experience should enable him or her to contribute meaningfully to the governance of a complex, multi-billion dollar enterprise. The candidate should not represent the interests of particular constituencies. When the Committee reviews a potential candidate, the Committee looks specifically at the candidate's qualifications in light of the needs of the Board and the Company at that time, given the current mix of director attributes. The Committee also considers such factors as the integrity of the candidate, whether the candidate would be independent, as well as the candidate's commitments, including service on other boards, to assess whether the candidate has sufficient time to devote to service on the BellSouth Board of Directors.

The Committee believes that the members of the Board should ideally have collective knowledge of and experience in the following areas:

Corporate Governance	Competitive Positioning
Business Operations	Legal/Public Policy/Government
Finance/Accounting	Economics
Corporate Strategy	Technology
Marketing/Consumer Brand Marketing	Industry Knowledge
Major Industry Restructuring	

Shareholders who would like to recommend director candidates for consideration at the 2007 Annual Meeting of Shareholders should write to the Office of the Corporate Secretary, BellSouth Corporation, Suite 19A01, 1155 Peachtree Street, N.E., Atlanta, Georgia 30309-3610. This notification must be received by the Company between December 22, 2006 and February 7, 2007, and must provide information about the nominee's qualifications for Board membership and other information required by the By-laws. A copy of the By-laws is available on the Company's website, www.bellsouth.com/corporate_governance. Alternatively, a copy of the By-laws can be obtained by writing to the Corporate Secretary at the address set forth above. The Committee will evaluate any director candidate nominated by shareholders according to the criteria discussed above and, based on the results of that evaluation, will determine whether to include the candidate in its recommended slate of director nominees in the proxy statement.

Other Matters

Leo F. Mullin served as the Chief Executive Officer of Delta Air Lines, Inc. from 1997 through December 2003 and as its Chairman of the Board from 1999 through May 2004. Delta Air Lines filed for protection under Chapter 11 of the United States Bankruptcy Code in September 2005.

Director Attendance at Board, Committee and Annual Meetings

The Board of Directors held nine meetings in 2005. Average director attendance at all Board and committee meetings held during 2005 was 95%.

It is BellSouth's policy that Board members should make every attempt to attend BellSouth's annual meetings of shareholders. All directors attended the 2005 Annual Meeting.

Executive Sessions of the Board

Non-management directors met throughout the year in regularly scheduled executive sessions without members of management. In 2005, the position of presiding director rotated among the Committee Chairs based on the subject matter for discussion during the session. In 2006, the Lead Director will preside over the executive sessions.

Committees of the Board

The Board of Directors has five standing committees that assist the Board in carrying out its duties: the Audit Committee; the Director Nominating and Corporate Governance Committee; the Executive Nominating and Compensation Committee; the Finance/Strategic Planning Committee; and the Public Policy Committee. An additional Committee, the Executive Committee, meets only when called by the Chairman of the Board or by two other members of the Executive Committee. The charter of each of these committees is available on the Company's website at www.bellsouth.com/corporate_governance and may be obtained, without charge, by contacting the Office of the Corporate Secretary, BellSouth Corporation, Suite 19A01, 1155 Peachtree Street, N.E., Atlanta, Georgia 30309-3610. Information regarding each of the Board's committees is shown in the chart on page 11.

Committees of the Board

Committees	Members as of 12/31/2005	Primary Duties and Responsibilities of the Committee	2005 Meetings
Audit (See Committee Report on page 17.)	William S. Stavropoulos, Chair J. Hyatt Brown Kathleen F. Feldstein	Oversees the integrity of the Company's financial statements. Reviews the qualifications, independence and performance of the independent registered public accounting firm. Reviews with the Chief Corporate Auditor and the independent registered public accounting firm the completeness of coverage of key risk areas, including the effective use of audit resources and the scope of the audit plan. Oversees the Company's system of internal controls. Oversees the performance of the Company's internal audit organization. Oversees the Company's system of compliance and business conduct.	9
Director Nominating and Corporate Governance (See Committee Report on page 15.)	Leo F. Mullin, Chair James P. Kelly Robin B. Smith	Oversees and evaluates corporate governance issues and makes recommendations to the Board regarding governance principles and practices. Reviews the qualifications of and recommends nominees for election to the Board. Annually reviews the qualifications and independence of current directors. Recommends a corporate philosophy and strategy governing non-management director compensation. Provides oversight of the Company's program of director compensation and benefits. Recommends and oversees a process for the annual assessment of performance of the Board and its Committees.	3
Executive Nominating and Compensation (See Committee Report on page 20.)	James P. Kelly, Chair Leo F. Mullin Robin B. Smith	Oversees the nomination and election of executive officers and oversees the executive officer succession plans. Oversees the Company's executive compensation and benefits program, including incentive compensation and equity-based compensation plans. Reviews and approves corporate goals and objectives relevant to CEO compensation. Evaluates the performance of the CEO and approves the annual salary, short-term bonus and long-term incentive compensation and other benefits of the CEO. Oversees the Company's qualified employee benefit plans. Oversees strategic human resources issues.	11
Finance/Strategic Planning	Armando M. Codina, Chair Reuben V. Anderson James H. Blanchard	Reviews, approves or recommends to the full Board the long-term business goals and strategies of the Company, including strategic considerations in the allocation of corporate resources, such as establishing the dividend policy. Oversees the financial objectives and policies of the Company with respect to financial plans and treasury operations.	6
Public Policy	Reuben V. Anderson, Chair James H. Blanchard Armando M. Codina	Oversees and makes recommendations to the Board with respect to major public policy issues and legislation that may affect the business operations, financial performance or public image of the Company. Oversees the Company's plans and policies with respect to diversity and inclusion. Oversees the Company's political, civic, charitable, educational and	2

philanthropic contributions and activities.

Executive	F. Duane Ackerman, Chair Reuben V. Anderson Armando M. Codina James P. Kelly Leo F. Mullin William S. Stavropoulos	Exercises the interim power and authority delegated to the Committee at any time when any matter requires expeditious action by the Board of Directors or when it would not be practical for the full Board to meet to review or act upon any matter.	None
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Compensation Committee Interlocks and Insider Participation

The Executive Nominating and Compensation Committee consists of James P. Kelly, Leo F. Mullin, and Robin B. Smith. None of the members of the Executive Nominating and Compensation Committee is a former or current officer or employee of the Company or any of its subsidiaries.

Director Compensation Program 2005

The Director Nominating and Corporate Governance Committee is responsible for recommending the compensation program for the non-management directors. Payments made in 2005 under the existing program are described below.

Annual Cash Retainers: Non-management directors received an annual cash retainer of \$40,000. The Chair of each Board Committee received an additional cash retainer of \$5,000.

Meeting Fees: Non-management directors were paid \$1,800 for attendance at each Board meeting and \$1,500 for attendance at each Committee meeting.

Directors may defer all or a portion of their retainers and meeting fees under the Directors' Compensation Deferral Plan.

The following chart indicates amounts paid to each director in 2005 for retainers and meeting fees:

2005 Director Cash Compensation

Director	Annual Board/Committee Retainers	Board Meeting Fees	Committee Fees	Total
Reuben V. Anderson	\$ 45,000	\$ 16,200	\$ 12,000	\$ 73,200
James H. Blanchard	\$ 40,000	\$ 16,200	\$ 12,000	\$ 68,200
J. Hyatt Brown	\$ 40,000	\$ 14,400	\$ 10,500	\$ 64,900
Armando M. Codina	\$ 45,000	\$ 12,600	\$ 12,000	\$ 69,600
Kathleen F. Feldstein	\$ 40,000	\$ 16,200	\$ 13,500	\$ 69,700
James P. Kelly	\$ 45,000	\$ 14,400	\$ 19,500	\$ 78,900
Leo F. Mullin	\$ 45,000	\$ 16,200	\$ 21,000	\$ 82,200
Robin B. Smith	\$ 40,000	\$ 16,200	\$ 21,000	\$ 77,200
William S. Stavropoulos	\$ 45,000	\$ 12,600	\$ 13,500	\$ 71,100

Note: Neither Mr. Ackerman nor Mr. Feidler, who are employees of BellSouth, receives compensation for serving as a member of the Board of Directors.

Annual Stock Grant: Non-management directors received an annual grant of BellSouth stock valued at \$35,000 on the grant date, which was 1,332 shares based on a per share grant price of \$26.267.

Annual Stock Options: Non-management directors received an annual grant of nonqualified stock options valued at \$35,000 to purchase shares of BellSouth stock at an exercise price per share equal to the fair market value of the stock on the grant date. The options become exercisable one year after the grant date. In 2005, the non-management directors each received 5,140 options with an exercise price per share of \$26.40.

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Stock Ownership Incentives: BellSouth provided awards to each non-management director who owned BellSouth stock with a value of at least five times the amount of the annual retainer for Board members. The director received one additional nonqualified stock option for every two shares owned in excess of five times the retainer amount. The maximum number of additional options that may be granted annually to any director is 4,000 options. Directors only receive additional stock options for each excess share one time; thereafter, they must acquire additional shares in order to continue to receive additional stock options. The options become exercisable one year after the grant date.

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In 2005, the following directors received grants of additional options at an exercise price per share of \$26.40:

Director	Additional Options Granted in 2005	Director	Additional Options Granted in 2005
Reuben V. Anderson	3,331	James P. Kelly	2,232
James H. Blanchard	3,758	Leo F. Mullin	808
J. Hyatt Brown	4,000	Robin B. Smith	1,511
Armando M. Codina	4,000	William S. Stavropoulos	2,076
Kathleen F. Feldstein	1,271		

The director realizes value from stock options only when the options are exercised, and only to the extent that the price of BellSouth stock on the exercise date exceeds the price of the stock on the grant date.

Other Compensation and Benefits: Non-management directors are provided death benefits and insurance covering any accidents occurring while traveling on BellSouth business. In 2005, the premium paid by the Company for this insurance coverage was approximately \$55.00 per director. BellSouth provides coverage for the directors and officers under its Directors' and Officers' Liability Insurance Policy. During 2005, each of the directors also received BellSouth related products and services valued at less than \$1,000.

Non-employee Directors' Charitable Contribution Program: The Non-employee Directors' Charitable Contribution Program has been terminated with respect to new members of the Board. However, contributions will continue to be made through 2008 on behalf of the five directors who were members of the Board prior to January 1997. This program was designed to acknowledge the service of Company directors and to recognize the mutual interests of directors and the Company in supporting worthy institutions. The program provided that BellSouth would make contributions to educational or cultural organizations designated by the director. Directors were required to have five years of service on the Board or on the board of a BellSouth subsidiary to qualify for this program. The amount contributed by BellSouth increased with each year of service, up to a maximum contribution of \$1 million, payable after ten years of service. All charitable deductions for tax purposes accrue solely to the Company, and the individual directors derive no direct financial benefit from the program. In keeping with BellSouth's commitment to education, a total of \$860,000 was paid in 2005 on behalf of the respective directors under this program to various colleges, universities and other educational and cultural organizations.

Director Compensation Program 2006

To increase the competitiveness of the director compensation program and to simplify it, the Board approved modifications to the program to be effective May 1, 2006. Under the modified compensation program, the average annual compensation will increase approximately 4% from an average of \$161,000 to \$168,000. The program was last modified in 2003.

The changes for 2006 include:

increasing the annual cash retainer to \$50,000 with no change in meeting fees;

granting 100% of the annual equity award in the form of restricted stock units;

increasing the value of the annual equity award to \$85,000;

eliminating the incentive stock option award for exceeding specified stock ownership levels; and

replacing the current share ownership program with a mandatory stock ownership program for newly elected directors that requires the directors to own BellSouth stock valued at three times the annual cash retainer within three years of election to the Board.

All members of the Board meet the mandatory ownership requirements.

Communicating with BellSouth's Board of Directors

Shareholders and other interested parties who wish to communicate with the Company's non-management directors may direct correspondence to a particular director, or to the non-management directors as a group, by e-mail to Feedback.Directors@bellsouth.com or by addressing written correspondence to the Office of the Corporate Secretary, BellSouth Corporation, Suite 19A01, 1155 Peachtree Street, N.E., Atlanta, Georgia 30309-3610.

The non-management members of the Board of Directors have instructed the Corporate Secretary's office to initially review all communications directed to them. Communications such as the following (which are not relevant to the duties and responsibilities of the Board) are not reported to the Board:

- | | |
|------------------------------------|--|
| Spam | Resumes or other job inquiries |
| Junk mail and mass mailings | Opinion surveys and polls |
| Product or service inquiries | Business solicitations or advertisements |
| New product or service suggestions | |

DIRECTOR NOMINATING AND CORPORATE GOVERNANCE COMMITTEE REPORT

The Director Nominating and Corporate Governance Committee of the BellSouth Board of Directors is a standing committee comprised of three non-management directors who meet BellSouth's independence requirements, including the independence requirements of the New York Stock Exchange listing standards. We operate under a written Charter that is reviewed annually by the Board of Directors and complies with all current regulatory requirements. We met three times in 2005.

During 2005, we conducted a review of the Company's corporate governance practices and procedures and compared them to emerging best practices and changes in the law, regulations and New York Stock Exchange listing standards. We recommended to the Board for its approval:

revisions to the Corporate Governance Principles to implement continuing enhancements to our corporate governance practices and procedures;

revisions to the Audit Committee Charter that clarified the Audit Committee's responsibility concerning oversight of the Company's ethics and compliance program. None of the other Committee charters required revisions. All of the charters, as approved by the Board, may be found on the Company's website at www.bellsouth.com/corporate_governance;

ratification of the Committee's determination that each of the non-management directors was independent based on the Committee's review of each director against the Company's categorical standards of independence and those standards for independence set forth by applicable laws, regulations and the New York Stock Exchange listing standards;

the nomination of all directors for re-election by the shareholders after a review of each member's qualifications; and

director continuing education programs for 2005.

We also conducted the 2005 annual assessment of the performance of the Board, including an assessment by each committee of the Board. We engaged a third party firm to compile the data and assist in the analysis of the information. Each of the committees discussed its own assessment, and the Board reviewed the assessments of the committees and of the Board to determine whether any enhancements to existing practices were necessary.

We conducted a director education program that focused on emerging corporate governance practices. A nationally recognized corporate governance expert facilitated this program. Following the program, the Board approved appropriate enhancements to our governance practices.

In January 2006, the independent directors elected Armando M. Codina to serve as Lead Director. As Lead Director, Mr. Codina will:

preside over the executive sessions of non-management directors;

coordinate the agenda for the executive sessions of non-management directors;

provide feedback to the Chief Executive Officer on discussions in executive sessions;

review and provide input to the agenda for each meeting of the Board of Directors;

provide advice and counsel to the Chief Executive Officer; and

handle other duties as specified by the Board.

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As part of our biennial review of director compensation, we engaged a consulting firm with expertise in compensation to review and recommend changes to the director compensation program to simplify the program and to keep it competitive. Changes to the program were approved by the Board in February 2006. See Director Compensation Program 2006 on page 13.

We continued working with the director search firm engaged by the Committee in 2004 to assist the Committee in identifying potential candidates for membership on the Board of Directors. We also reviewed the qualifications of a number of proposed candidates.

We reviewed each non-management director's independence and affirmed that each is independent based on BellSouth's independence requirements and the independence requirements of the New York Stock Exchange listing standards. We reviewed the affiliations of the Chief Executive Officer, the President and Chief Operating Officer and the non-management directors and confirmed that none of the directors has any affiliations that would adversely influence his or her judgment as a BellSouth director. Additionally, we reviewed the qualifications of each of the directors and determined that each nominee qualified for re-election.

Consistent with the shareholders' approval in 2004 of an amendment to the Company's By-laws to provide for the annual election of directors, all director candidates have been nominated for election to a one-year term at the 2006 Annual Meeting of Shareholders.

Respectfully submitted by:

Leo F. Mullin (Chair)
James P. Kelly
Robin B. Smith

AUDIT COMMITTEE REPORT

The Audit Committee of the BellSouth Board of Directors is a standing committee comprised of three non-management directors who meet the independence and expertise requirements of the listing standards of the New York Stock Exchange. Pursuant to those standards, all members of the Audit Committee are "financially literate." Further, pursuant to the rules of the Securities and Exchange Commission ("SEC"), the Board of Directors has determined that J. Hyatt Brown and William S. Stavropoulos qualify as "audit committee financial experts."

We operate under a written Charter that is reviewed annually by the Board of Directors and complies with all current regulatory requirements. Our agendas are established by the Committee members with input from the Committee Secretary. We met nine times during 2005.

We held private discussions with the Chief Corporate Auditor, the Chief Financial Officer, the General Counsel, other members of management and the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP ("PwC"). We also held private discussions with the Chief Corporate Auditor and the Chief Financial Officer of Cingular Wireless and Cingular's independent registered public accounting firm, Ernst & Young LLP.

During 2005, we reviewed with the Company's financial managers, the Chief Corporate Auditor and PwC the scope of the annual audit and audit plans, the results of internal and external audit examinations, the evaluation by the auditors of the Company's system of internal control over financial reporting, the quality of the Company's financial reporting, and the Company's process for legal and regulatory compliance. We monitored the progress and results of the testing of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. We also reviewed the Company's program of ethics and compliance, including correspondence received from employees and shareholders. No waivers of the Company's code of conduct were requested or granted.

Management is responsible for the Company's system of internal control, the financial reporting process and the assessment of the effectiveness of internal control over financial reporting. PwC is responsible for performing an integrated audit and issuing reports and opinions on the following:

the Company's consolidated financial statements;

the operating effectiveness of the Company's internal control over financial reporting; and

management's assessment of the effectiveness of the Company's internal control over financial reporting.

As provided in our Charter, our responsibilities include monitoring and overseeing these processes.

Consistent with this oversight responsibility, PwC reports directly to us. We appointed PwC as the Company's independent registered public accounting firm, subject to shareholder ratification, and approved the compensation of the firm.

We reviewed and discussed the 2005 consolidated financial statements and management's assessment of the effectiveness of the Company's internal control over financial reporting with management and PwC. We also discussed the certification process with the Chief Executive Officer and Chief Financial Officer. Management represented to us that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and that the Company's internal control over financial reporting was effective. We discussed with PwC the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). PwC provided to us the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and we discussed with PwC its independence.

PwC advised us that it had determined, during a self-evaluation to confirm compliance with the SEC rules governing auditor independence, that a member firm of its global network had provided prohibited non-audit services to a BellSouth affiliate in the United Kingdom. SEC rules governing auditor independence prohibit an accounting firm from providing certain non-audit services to its audit client as the provision of these services could create the appearance of a conflict of interest between the auditor and the audit client. In this instance, a PwC member firm in the United Kingdom had provided certain corporate secretarial services (which are not allowable) in the preparation of a tax return (which is allowable). Fees for those services were embedded in the PwC member firm's general invoices and were *de minimis*. After reviewing the facts surrounding the services provided by PwC's member firm, we agree that PwC remains independent and should continue as the Company's independent registered public accounting firm.

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Based on these discussions and reviews outlined above, we recommended to the Board of Directors that the audited consolidated financial statements be included in the 2005 Report to Shareholders and in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 for filing with the SEC.

Respectfully submitted by:

William S. Stavropoulos (Chair)
J. Hyatt Brown
Kathleen F. Feldstein

FEES AND SERVICES OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**Fees Paid to the Independent Registered Public Accounting Firm**

The aggregate fees for professional services rendered by PricewaterhouseCoopers LLP ("PwC") during the past two years are set forth below. The Audit Committee has concluded that the provision of the non-audit services by PwC for the Company did not and does not impair PwC's independence. The Committee has established a guideline that the amount of "All other fees" should not exceed the amount of "Audit fees."

	<u>2004</u>	<u>2005</u>
Audit fees(A)	\$ 5,835,000	\$ 4,315,000
Audit-related fees(B)	2,172,000	3,464,000
Tax fees(C)	78,050	24,000
All other fees(D)	392,400	19,000
	<u> </u>	<u> </u>
Total fees paid to the independent registered public accounting firm	\$ 8,477,450	\$ 7,822,000
	<u> </u>	<u> </u>

- (A) **Audit fees** include fees for the audit of the Company's annual financial statements for the year 2005 and the reviews of the Company's quarterly financial statements, and audit services related to statutory audits and regulatory filings. The decrease in the amount of Audit fees from 2004 to 2005 relates primarily to efficiencies in testing associated with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.
- (B) **Audit-related fees** include fees for services that were reasonably related to the performance of the reviews of the Company's financial statements (but which are not included under Audit fees). Audit-related fees consist principally of attestation-related services required by regulatory and governmental agencies and employee benefit plan audits.
- (C) **Tax fees** include fees for services relating to federal, state and international technical tax advice. PwC does not provide any tax planning or compliance services to BellSouth executives.
- (D) **All other fees** include primarily fees for workforce-related research and continuing professional education services.

Pre-Approval of Services Performed by the Independent Registered Public Accounting Firm

The Audit Committee has adopted a policy regarding the pre-approval of audit and permitted non-audit services to be performed by PwC. The Audit Committee will, on an annual basis, consider and approve the provision of audit and non-audit services by PwC that are not prohibited by law. Thereafter, the Audit Committee will, as necessary, consider and approve the provision of additional audit and non-audit services by PwC which are not encompassed by the Audit Committee's annual pre-approval. The Audit Committee has delegated to the Chair of the Audit Committee the authority to pre-approve, on a case-by-case basis, non-audit services to be performed by PwC in the situations described above, provided that the Chair shall present any such decisions to the Audit Committee at its next regular meeting for ratification. None of the engagements pre-approved by the Committee during 2005 made use of the *de minimis* exception to pre-approval contained in the applicable rules of the Securities and Exchange Commission.

**EXECUTIVE NOMINATING AND COMPENSATION COMMITTEE REPORT
ON EXECUTIVE COMPENSATION**

The Executive Nominating and Compensation Committee is a standing committee of the BellSouth Board of Directors having oversight responsibilities with respect to selection and compensation of the Company's senior executives. The Committee has approved, and updates periodically, a statement of corporate philosophy for compensating executives and oversees the implementation of compensation and benefit programs consistent with that philosophy. During 2005, we met eleven times, five of which were specially called meetings held at our, or the full Board's, request.

Each of the three current members of the Committee is an "independent" director (as that term is used in the New York Stock Exchange listing standards and in the Corporate Governance Principles adopted by BellSouth). A copy of the Charter under which this Committee operates is available at www.bellsouth.com/corporate_governance.

To assist us in discharging our responsibilities as members of this Committee, we have engaged an independent compensation consultant ("consultant"). Pursuant to our Charter, the Committee selects and retains our consultant, and approves the fees and other terms of the consultant's engagement. Our consultant performed analyses and provided numerous