

SBC COMMUNICATIONS INC
Form 11-K
June 27, 2002
EX 99-b
Form 10-K for 2001
File No. 1-8610

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT

Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended December 31, 2001

Commission File Number 1-8610

SBC SAVINGS AND SECURITY PLAN

SBC COMMUNICATIONS INC.

175 E. Houston, San Antonio, Texas 78205

Financial Statements, Supplemental Schedule and Exhibit

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23-a Consent of Ernst & Young LLP

REPORT OF INDEPENDENT AUDITORS

SBC Communications Inc., Plan Administrator
for the SBC Savings and Security Plan

We have audited the accompanying statements of net assets available for benefits of the SBC Savings and Security Plan as of December 31, 2001 and 2000, and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits at December 31, 2001 and 2000, and the changes in its net assets available for benefits for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2001 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to auditing procedures applied in our audits of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

ERNST & YOUNG LLP

San Antonio, Texas
June 21, 2002

SBC SAVINGS AND SECURITY PLAN

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STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
(Dollars in Thousands)

| | December 31, | |
|--------------------------------------|--------------|--------------|
| | 2001 | 2000 |
| ASSETS | | |
| Investments (See Note 3) | \$ 3,999,240 | \$ 4,634,699 |
| Cash | 115 | - |
| Participant contributions receivable | - | 7 |
| Dividends and interest receivable | 116 | 437 |
| Receivable for investments sold | 371 | 224 |
| Other receivables | 73 | 52 |
| | ----- | ----- |
| Total Assets | 3,999,915 | 4,635,419 |
| | ----- | ----- |
| LIABILITIES | | |
| Administrative expenses payable | 1,408 | 1,054 |
| Long-term debt: | | |
| SBC Communications Inc. | - | 644 |
| | ----- | ----- |
| Total Liabilities | 1,408 | 1,698 |
| | ----- | ----- |
| Net Assets Available for Benefits | \$ 3,998,507 | \$ 4,633,721 |
| | ===== | ===== |

See Notes to Financial Statements.

SBC SAVINGS AND SECURITY PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Dollars in Thousands)

| | |
|---|--------------|
| Net Assets Available for Benefits, December 31, 2000 | \$ 4,633,721 |
| Additions to Net Assets: | |
| Contributions and transfers: | |
| Participant contributions | 215,993 |
| Employer contributions | 110,917 |
| Transfers from other plans (See Note 1) | 6,012 |
| | ----- |
| | 332,922 |
| Investment Income: | |
| Dividends on SBC common shares | 67,139 |

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| | |
|---|--------------|
| Interest | 44,627 |
| | ----- |
| | 111,766 |
| | |
| Total Net Additions | 444,688 |
| | ----- |
| Deductions from Net Assets: | |
| Net depreciation in fair value of investments | 637,835 |
| Administrative expenses | 4,422 |
| Distributions | 430,339 |
| Transfers to other plans (See Note 1) | 7,306 |
| | ----- |
| Total Deductions | 1,079,902 |
| | ----- |
| | |
| Net Assets Available for Benefits, December 31, 2001 | \$ 3,998,507 |
| | ===== |

See Notes to Financial Statements.

**SBC SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)**

1. Plan Description - The SBC Savings and Security Plan (Plan) was established by SBC Communications Inc. (SBC) to provide a convenient way for eligible employees to save for retirement on a regular and long-term basis. The majority of eligible employees are represented by the Communications Workers of America. The following description of the Plan provides only general information. The Plan has detailed provisions covering participant eligibility, participant allotments from pay, participant withdrawals, participant loans, employer contributions and related vesting of contributions and Plan expenses. The Plan text and prospectus include complete descriptions of these and other Plan provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Participants can invest their contributions in one or more of the following funds in 1% increments: the SBC Shares Fund, the Bond Fund, the Diversified Equity Portfolio, the Interest Income Fund, the Asset Allocation Fund and the Global Equity Fund.

Company matching contributions are made solely in the form of shares of SBC's common stock held in a leveraged Employee Stock Ownership Plan (ESOP) which is a separate investment account of this Plan.

The Plan prefunded the ESOP by borrowing Guaranteed Non-Salaried Employees' ESOP Notes that were due in 2005, the repayment of which is guaranteed by SBC. The notes were paid in full during 2001. Funds borrowed by the Plan

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were used to purchase shares of SBC's common stock held in the open market (Financed Shares), which act as collateral for reimbursement to SBC for any payments made under its guarantee of the ESOP Notes. The interest rate on the notes at December 31, 2000 was 7.78%.

Dividends on Financed Shares and employer cash contributions were used by the Plan to make the required principal and interest payments on the ESOP Notes. As the ESOP Notes were paid down, the Financed Shares were released from the collateral. The Financed Shares were allocated to participants' accounts in the form of a company matching contribution. In lieu of dividends on Financed Shares previously allocated to participants, additional Financed Shares were allocated to participants' accounts.

To the extent insufficient shares had been released through payments on outstanding notes net of amounts refinanced, additional employer contributions were made to the ESOP to purchase shares necessary to meet any shortfall in the company match or in the shares issued in lieu of dividends. Dividends on these shares were used to acquire additional shares, which were allocated to participants' accounts in the ESOP. Should shares released exceed the required company matching contribution, the excess was considered an additional employer contribution and was allocated to participants' accounts based on each participant's proportionate share of actual plan year ESOP contributions.

Dividends on shares in the SBC Shares Fund are paid into a separate fund known as a Dividend Fund Account (DFA). At the end of the year, dividends held in the DFA are paid out to the participant. The participant may elect reinvestment and have the special Deferred-Tax Allotment offset the payout through the purchase of additional units. Interest earned on dividends held in the DFA will be paid into the SBC Shares Fund. During 2001, Plan participants elected to receive \$18,800 in dividend distributions. This amount is included in distributions on the statement of changes in net assets.

On November 5, 2001, the Woodbury Telephone Company Union 401(k) Plan (Woodbury Plan) was merged into the SBC Savings and Security Plan. Approximately \$6,012 from the Woodbury Plan merger is included in transfers from other plans on the statement of changes in net assets available for benefits.

In 2000, SBC entered into the Cingular Wireless (Cingular) joint venture agreement with BellSouth Corporation. As a result of this agreement, certain SBC employees were leased to Cingular. In December 2001 these employees became Cingular employees and on December 3, 2001 the Plan distributed approximately \$7,306 to State Street Bank and Trust related to those former employees that were transferred to Cingular.

Although it has not expressed any intent to do so, SBC has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event that the Plan is terminated, subject to the conditions set forth by ERISA, the account balances of all participants shall be 100% vested.

2. Accounting Policies - The values of investments are determined as follows: SBC common shares on the basis of the closing price as reported on the New York Stock Exchange; contracts with insurance companies and other financial institutions at principal plus reinvested interest which approximates fair value; common collective trust funds at values obtained from fund managers; and temporary cash investments at cost which approximates fair value. Purchases and sales of securities are reflected as of the trade date. Dividend income is recognized on the ex-dividend date. Interest earned on investments is recognized on the accrual basis.

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The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), which requires all derivatives to be recorded on the statement of net assets available for benefits at fair value, and requires changes in the fair value of the derivatives to be recorded on the statement of changes in net assets available for benefits. The Plan adopted FAS 133 on January 1, 2001, as a one-time, noncash cumulative effect of accounting change. However, because of the Plan's minimal use of derivatives, the adoption of this standard did not have a significant effect on the Plan's financial position or results of operations

3. Investments - Investments representing 5% or more of Plan net assets at either December 31, 2001 or 2000 were:

| | 2001 | 2000 |
|----------------------------------|--------------|--------------|
| | ----- | ----- |
| Employee Stock Ownership Plan * | | |
| ----- | | |
| SBC common shares: | | |
| Allocated | \$ 1,028,960 | \$ 1,209,908 |
| Unallocated | \$ 9 | \$ 3 |
| SBC Shares Fund | | |
| ----- | | |
| SBC common shares | \$ 1,530,316 | \$ 1,941,683 |
| Diversified Equity Portfolio | | |
| ----- | | |
| Barclays Global Investors Equity | | |
| Index Fund F | \$ 434,521 | \$ 516,372 |

* Nonparticipant-directed

During 2001, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value as follows:

| | |
|--------------------------|--------------|
| Common Stock | \$ (561,179) |
| Common Collective Trusts | (76,656) |
| | ----- |
| Total | \$ (637,835) |
| | ===== |

The Interest Income Fund consists of contracts with various financial institutions and insurance companies that promise to repay principal plus accrued income at contract maturity, subject to the creditworthiness of the issuer. Interest crediting rates are generally established when the contract is purchased and are not reset. For the years ended December 31, 2001 and 2000, the average interest rates earned on these contracts were 6.13% and 6.15%. At December 31, 2001, the fixed crediting interest rates on these contracts ranged from 3.76% to 8.00%. At December 31, 2000, the fixed crediting interest rates on these contracts ranged from 5.18% to 8.00%. No valuation reserves were recorded to adjust contract amounts as of December 31, 2001 or 2000.

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The Interest Income Fund invests in both guaranteed investment contracts (GICs) and synthetic investment contracts (SICs). SICs differ from GICs in that the assets supporting the SICs are owned by the Plan. A bank or insurance company issues a wrapper contract that allows participant directed transactions to be made at contract value. Wrapper contracts are valued as the difference between the fair value of the supporting assets and the contract value. The assets supporting the SICs generally consist of high quality fixed income securities.

4. Nonparticipant-Directed Investments - Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments as of December 31 is as follows:

| | 2001 | 2000 |
|------------------------------------|--------------|--------------|
| | ----- | ----- |
| Assets | | |
| ----- | | |
| SBC common shares: | | |
| Allocated | \$ 1,028,960 | \$ 1,209,908 |
| Unallocated | 9 | 3 |
| Temporary cash investments | 2,958 | 2,300 |
| Dividends and interest receivable | 3 | 24 |
| Receivable for investments sold | 370 | 224 |
| Other receivables | 2 | 1 |
| | ----- | ----- |
| Total Assets | 1,032,302 | 1,212,460 |
| | ----- | ----- |
| Liabilities | | |
| ----- | | |
| Administrative expenses payable | 368 | 248 |
| Long-term debt | - | 644 |
| | ----- | ----- |
| Total Liabilities | 368 | 892 |
| | ----- | ----- |
| Net Assets Available for Benefits | \$ 1,031,934 | \$ 1,211,568 |
| | ===== | ===== |
| | | 2001 |
| | | ----- |
| Net Assets Available for Benefits, | | |
| December 31, 2000 | | \$ 1,211,568 |
| Employer contributions | | 110,917 |
| Interest income | | 90 |
| Dividends | | 26,114 |
| Net depreciation in fair value of | | |
| investments | | (220,877) |
| Administrative expenses | | (1,086) |
| Distributions | | (92,314) |
| Transfers to other plans | | (2,478) |
| | | ----- |
| | | (179,634) |
| | | ----- |
| Net Assets Available for Benefits, | | |
| December 31, 2001 | | \$ 1,031,934 |
| | | ===== |

5. Long-Term Debt - Long-term debt consists of the ESOP Notes issued in connection with the ESOP and the refinancing notes (as discussed in Note

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1). The remaining balance due on the notes was paid off in 2001. The carrying amount and the estimated fair value of the ESOP and refinancing notes as of December 31, 2000 was:

| | 2000 |
|-----------------|--------|
| Carrying Amount | \$ 644 |
| Fair Value | \$ 644 |

At December 31, 2000, the fair value of the ESOP Note was estimated based on quoted prices.

6. Tax Status - The Internal Revenue Service issued a determination letter on March 10, 1997, stating that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since the determination letter was received. The Plan Administrator believes that the Plan is currently designed and is operating in compliance with the applicable requirements of the IRC.

On February 28, 2002, the Plan filed for, but has not yet received, a new tax determination letter from the IRS to reflect legally required changes and other changes made to the Plan since the previous determination letter was issued.

7. Reconciliation of Financial Statements to Form 5500 - The following is a reconciliation of Net Assets Available for Benefits per the financial statements to the Form 5500 as of December 31:

| | 2001 | 2000 |
|--|--------------|--------------|
| Net Assets Available for Benefits per the financial statements | \$ 3,998,507 | \$ 4,633,721 |
| Less: Distribution payable to participants | 369 | 1,583 |
| Net Assets Available for Benefits per the Form 5500 | \$ 3,998,138 | \$ 4,632,138 |

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500 for the year ended December 31, 2001:

| | 2001 |
|--|------------|
| Distributions to participants per the financial statements | \$ 430,339 |
| Add: Distributions payable to participants at December 31, 2001 | 369 |
| Less: Distributions payable to participants at December 31, 2000 | 1,583 |
| Distributions to participants per the Form 5500 | \$ 429,125 |

Distributions payable to participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, but not yet paid as of that date.

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7. Subsequent Events - Effective January 1, 2002, the Plan was amended to change the vesting schedule from five years to three years, increase the maximum employee contributions from 16% to 30%, allow dividends from the SBC Shares Fund and the LESOP to be made available for cash payment to the participant or reinvested in the SBC Shares Fund and allow employees immediate eligibility to make contributions. Additionally, the Mid and Small Cap Stock Fund and the International Stock Fund were added as investment options effective January 1, 2002.

SBC SAVINGS AND SECURITY PLAN
EIN 43-1301883, PLAN NO. 004

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2001
(Dollars in Thousands)

| Identity of Issue | Description of Investment | Cost | Current Value |
|--|---------------------------|------------|---------------|
| Employee Stock Ownership Plan | | | |
| ----- | | | |
| * SBC common shares: | | | |
| Allocated | 26,269,092 shares | \$ 568,425 | \$ 1,028,960 |
| Unallocated | 233 shares | 6 | 9 |
| * Boston Safe Deposit and Trust Company | Temporary cash investment | 2,958 | 2,958 |
| | | 571,389 | 1,031,927 |
| Total Employee Stock Ownership Plan | | | |
| SBC Shares Fund | | | |
| ----- | | | |
| * SBC common shares | 39,068,579 shares | | 1,530,316 |
| * Boston Safe Deposit and Trust Company | Temporary cash investment | | 30,409 |
| | | ** | 1,560,725 |
| Bond Fund | | | |
| ----- | | | |
| * Barclays Global Investors Intermediate Government/Credit Bond Index Fund F | 5,830,257 units | ** | 81,332 |
| Diversified Equity Portfolio | | | |
| ----- | | | |
| * Barclays Global Investors Equity Index Fund F | 28,381,525 units | ** | 434,521 |
| Interest Income Fund | | | |
| ----- | | | |

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| | | |
|---|---|---------|
| Allstate Life Insurance Company | 7.10%, 10/15/03 | 11,980 |
| Bank of America National Association | Synthetic contract wrapper #99-086, 5.03%, *** | (1,117) |
| Federal Home Loan Mortgage Corporation | Agency Debenture | 7,816 |
| Providian Master Trust | Monoline Credit Card | 5,119 |
| AmeriCredit Auto Receivables Trust | Sub Prime Auto | 3,231 |
| Capital One Master Trust | Monoline Credit Card | 6,859 |
| Federal National Mortgage Association | Agency Debenture | 5,602 |
| Prime Credit Card Master Trust | Retail Credit Card | 5,298 |
| Federal National Mortgage Association | PAC | 5,218 |
| WFS Financial Owners Trust | Sub Prime Auto | 3,218 |
| Nordstrom Private Label Credit Card Master | Monoline Credit Card | 4,911 |
| Commercial Mortgage Asset Trust | Conduit | 4,352 |
| TIAA Retail Commercial Trust | Conduit | 3,753 |
| WFS Financial Owners Trust | Sub Prime Auto | 3,045 |
| Federal National Mortgage Association | FHA/VA Reperforming Pas | 2,877 |
| HomeEq Asset Backed Certificates | Home Equity Senior Sub | 2,530 |
| Bank of America National Association | Cash on Hand | 197 |
| | | ----- |
| | | 62,909 |
| Business Men's Assurance Company of America | 7.44%, 7/29/03 | 6,104 |
| CDC Financial Products Inc. | 7.00% - 7.01%, 8/29/05 - 10/17/05 | 8,085 |
| JPMorgan Chase Bank | Synthetic contract wrapper #401792-L2, 6.09%, *** | (115) |
| INVESCO Group Trust for Retirement Savings | Group Trust: Lambda II | 2,826 |
| | | ----- |
| | | 2,711 |
| JPMorgan Chase Bank | Synthetic contract wrapper #426424-T, 5.61%, *** | (1,877) |
| Federal Home Loan Mortgage Company | Agency Debenture | 3,928 |
| United States Treasury | Treasury Note | 6,645 |
| American Express Credit Account | Monoline Credit Card | 3,308 |
| Fleet Credit Card Master Trust | Bank Credit Card | 2,799 |
| CIT Equipment Collateral | Small Equipment Lease | 6,453 |
| AmeriCredit Automobile Receivables Trust | Sub Prime Auto | 7,070 |
| Credit Suisse First Boston Mortgage Sec. | Conduit | 5,904 |
| Nissan Auto Receivables Owners Trust | Prime Auto | 5,602 |
| Ford Credit Auto Owners Trust | Prime Auto | 5,394 |
| Ford Credit Auto Owners Trust | Prime Auto | 4,034 |
| Chase Credit Card Master Trust | Bank Credit Card | 3,675 |
| Honda Auto Receivables Owner Trust | Prime Auto | 3,632 |

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| | | |
|--|---|---------|
| Caterpillar Financial Asset Trust | Large Equipment Loan | 3,273 |
| JPMorgan Chase Bank | Cash on Hand | 258 |
| | | ----- |
| | | 60,098 |
| Continental Assurance Company | Synthetic contract wrapper #630-05574, 5.43%, *** | (91) |
| INVESCO Group Trust for Retirement Sav. | Group Trust Beta | 3,511 |
| | | ----- |
| | | 3,420 |
| GE Life and Annuity Assurance Company | 7.45% - 8.00%, 12/17/01 - 7/7/04 | 7,764 |
| Jackson National Life Insurance Company | 7.50%, 1/5/04 | 8,080 |
| John Hancock Life Insurance Company | 3.76% - 6.28%, 2/1/02 - 2/3/03 | 22,733 |
| Metropolitan Life Insurance Company | 5.25% - 6.16%, 4/1/02 - 5/13/02 | 14,523 |
| Monumental Life Insurance Company | 7.17%, 7/25/05 | 4,872 |
| Monumental Life Insurance Company | Synthetic contract wrapper #00292TR, 4.94%, *** | (1,340) |
| Federal National Mortgage Association | FHA/VA Reperforming Pass | 4,401 |
| Household Automotive Trust | Sub Prime Auto | 10,299 |
| Federal Home Loan Mortgage Corporation | Agency Debenture | 9,379 |
| United States Treasury | Treasury Note | 1,279 |
| Copelco Capital Funding Corp | Small Equipment Lease | 535 |
| First USA Credit Card Master Trust | Bank Credit Card | 1,037 |
| American Express Credit Account Master Trust | Monoline Credit Card | 870 |
| Federal Home Loan Mortgage Corporation | Agency Debenture | 8,424 |
| United States Treasury | Treasury Note | 5,537 |
| Residential Asset Securities Corporation | Home Equity Senior Sub | 5,110 |
| Residential Asset Securities Corporation | Home Equity Senior Sub | 5,084 |
| Onyx Acceptance Grantor Trust | Sub Prime Auto | 4,255 |
| AmeriCredit Automobile Receivables Trust | Sub Prime Auto | 4,199 |
| WFS Financial Owners Trust | Sub Prime Auto | 2,145 |
| Federal National Mortgage Association | Agency Debenture | 1,569 |
| Honda Auto Receivables Owner Trust | Prime Auto | 1,292 |
| Sears Credit Account Master Trust | Retail Credit Card | 1,037 |
| Monumental Life Insurance Company | Cash on Hand | 317 |
| | | ----- |
| | | 65,429 |
| New York Life Insurance Company | 5.28% - 6.06%, | |

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| | | |
|---|---|---------------------------|
| | 6/28/02 - 2/2/04 | 18,632 |
| Pruco Life Insurance Company | 6.99% - 7.48%, 9/7/04 - 11/30/05 | 22,349 |
| Security Life of Denver Insurance Company | 7.39% - 7.65%, 2/11/03 - 10/4/04 | 12,193 |
| State Street Bank and Trust Company | Synthetic contract wrapper #99035-LB1, 5.22%, *** | (36) |
| INVESCO Group Trust for Retirement Savings | Group Trust: Lambda I | 1,739 |
| | | ----- 1,703 |
| State Street Bank and Trust Company | Synthetic contract wrapper #99039, 6.61%, *** | (2,249) |
| MBNA Master Credit Card Trust USA | Monoline Credit Card | 3,827 |
| Delta Funding Home Equity Loan Trust | Home Equity Monoline | 5,168 |
| Federal National Mortgage Association | FHA/VA Reperforming Pas | 5,075 |
| American Express Credit Account Master Trust | Monoline Credit Card | 5,239 |
| Fleet Credit Card Master Trust II | Bank Credit Card | 4,306 |
| Federal Home Loan Mortgage Corporation | Agency Debenture | 4,169 |
| Sears Credit Account Master Trust | Retail Credit Card | 4,235 |
| Sears Credit Account Master Trust | Retail Credit Card | 2,208 |
| Sears Credit Account Master Trust | Retail Credit Card | 4,273 |
| Citibank Credit Card Master Trust II | Bank Credit Card | 4,279 |
| Citibank Credit Card Master Trust II | Bank Credit Card | 3,141 |
| Federal Home Loan Mortgage Corporation | Agency Hybrid ARM | 3,043 |
| Capital One Master Trust | Bank Credit Card | 2,023 |
| United States Treasury | Treasury Note | 15,437 |
| Keycorp | Conduit | 5,977 |
| Honda Auto Receivables Owner Trust | Prime Auto | 1,002 |
| United States Treasury | Treasury Note | 448 |
| State Street Bank and Trust Company | Cash on Hand | 358 |
| | Pending Settlements | (15,451) |
| | | ----- 56,508 |
| SunAmerica Life Insurance Company | 7.14%, - 7.57% 1/2/04 - 9/22/05 | 9,334 |
| * Boston Safe Deposit and Trust Company | Temporary cash investment | 43,195 |
| Total Interest Income Fund | ** | ----- 442,622 ----- |

Asset Allocation Fund

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* Barclays Global Investors U.S.
Tactical Asset

| | | | |
|-------------------|------------------|----|---------------------------|
| Allocation Fund F | 10,950,685 units | ** | ----- 176,197 ----- |
|-------------------|------------------|----|---------------------------|

Global Equity Fund

| | | | |
|--|-----------------|--|--------|
| * Barclays Global Investors U.S. Equity Market Fund F | 1,622,924 units | | 43,089 |
|--|-----------------|--|--------|

| | | | |
|---|--------------|--|-----------------|
| * Barclays Global Investors EAFE Equity Index Fund E | 761,716 unit | | 11,921 ----- |
|---|--------------|--|-----------------|

| | | | |
|--------------------------|--|----|-----------------|
| Total Global Equity Fund | | ** | 55,010 ----- |
|--------------------------|--|----|-----------------|

Loan Fund

| | | | |
|------------------------------|----------------|----|---------------------------|
| * Loans to Plan Participants | 5.75% - 10.00% | ** | ----- 216,906 ----- |
|------------------------------|----------------|----|---------------------------|

| | | | |
|-------|--|--|-----------------------|
| TOTAL | | | \$ 3,999,240 ===== |
|-------|--|--|-----------------------|

* Party-in-Interest.

** Participant-directed investment, cost not required.

*** Synthetic Insurance Contracts, no stated maturity.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator for the Plan has duly caused this annual report to be signed by the undersigned thereunto duly authorized.

SBC SAVINGS AND SECURITY PLAN

By SBC Communications Inc., Plan
Administrator
for the Foregoing Plan

By /s/ Karen E. Jennings
Karen E. Jennings
Senior Executive Vice
President-
Human Resources

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Date: June 27, 2002

>

EXHIBIT INDEX

Exhibit identified below, is filed herein as exhibit hereto.

Exhibit
Number

23 Consent of Independent Auditors Ernst & Young LLP.