



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE NOTIFICATION OF)
INDIRECT TRANSFER OF CONTROL OF SPRINT) ORDER
COMMUNICATIONS COMPANY L.P. TO)
STARBURST II, INC.) DOCKET NO. TM12111044

Parties of Record:

James C. Meyer, Esq., Riker Danzig Scherer Hyland & Perretti LLP on behalf of Petitioners
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On November 27, 2012, Sprint Communications Company L.P. ("Sprint Communications"), submitted a letter ("Notification") to the Board of Public Utilities ("Board") detailing a transaction whereby Starburst II, Inc. ("Starburst II") will acquire indirect control of Sprint Communications. Petitioners state that the transaction will take place at the holding company level and that no transfer of certificates, assets, or customers will occur and furthermore, the transaction will be transparent to the customers of Sprint Communications. The letter states that Board review and approval is not required because among other reasons, Sprint Communications' parent company does not itself provide regulated telecommunications.

BACKGROUND

Sprint Communications is a Delaware limited partnership with its principal business office located in Overland Park, Kansas. The letter states that Sprint Communications is a non-dominant, indirect wholly-owned subsidiary of Sprint Nextel Corporation ("Sprint"). Sprint is a publicly traded Kansas corporation with its principal business office located in Overland Park, Kansas, which has no majority owner, however two institutional investors hold a greater than 10% ownership interest. Sprint is a global communications company that, through its subsidiaries, offers wireless and wireline voice and data products and services to residential, business, government and resellers throughout the country and worldwide. Sprint

Communications is authorized by the Board to provide local and interexchange services pursuant to authority granted by the Board.¹ As of October 2012, Sprint Communications had 87,004 customers in New Jersey, consisting of 50 CLEC customers and 86,954 IXC customers. Sprint Communications does not have any employees in New Jersey, however, as of December 17, 2012, Sprint United Management Company, a subsidiary of Sprint, had 605 employees. Sprint United employs most of Sprint's employees nationwide. Sprint Spectrum, L.P. and Nextel of New York, Inc. are indirect wholly-owned subsidiaries of Sprint that operate as wireless carriers in New Jersey.

Starburst II is newly-formed Delaware corporation that will hold shares of Sprint upon closing of the proposed transaction. Starburst II's principal offices are located in Newton, Massachusetts. Starburst II does not provide telecommunications services. Upon consummation of the proposed transaction, approximately 70 percent of Starburst II's common stock will be held by SOFTBANK CORP. ("SoftBank"). SoftBank is a publicly traded stock company organized and existing under the laws of Japan and is headquartered in Tokyo, Japan. According to the notice, SoftBank's founder and Chief Executive Officer, Mr. Masayoshi Son, a citizen of Japan, holds 22.49 percent of SoftBank's issued and outstanding shares. No other individual or entity holds 10 percent or more of SoftBank's equity. SoftBank has been listed on the Tokyo Stock Exchange since 1998. SoftBank's various subsidiaries and affiliates are engaged in information technology and Internet-related businesses in Japan, including mobile communications, broadband infrastructure, fixed-line telecommunications, e-commerce, and web portals.

SoftBank does not provide regulated telecommunications services in New Jersey. It also does not directly or indirectly, through affiliates, own a controlling interest in any other entity which provides regulated telecommunications service or access line service in New Jersey. SoftBank's sole telecommunications interest in the United States is JAPAN TELECOM AMERICA, INC ("JTA"), which is a wholly owned subsidiary of SOFTBANK TELECOM, Corp. ("SoftBank Telecom"). JTA provides only limited private line services to its sole customer, SoftBank Telecom, and has no U.S. customers.

DISCUSSION

As described in the Notification, on October 15, 2012, Sprint and SoftBank announced that they had entered into a series of agreements which will result in SoftBank investing over \$20 billion in Sprint and acquiring approximately a 70 percent indirect interest in Sprint through Starburst II, with the remaining interest held by existing Sprint shareholders. Under the terms of the agreements, SoftBank has formed a U.S. holding company, Starburst I, Inc. ("Starburst I") which is wholly owned by SoftBank. At closing, Starburst I will have approximately 70 percent ownership in Starburst II, which will directly own a third subsidiary, Starburst III, Inc. ("Merger Sub"). As part of the transaction, Sprint will merge with Merger Sub, with Sprint being the surviving entity. Starburst II will be renamed Sprint Corporation.

¹The Board approved Sprint Communications to provide intrastate interexchange service statewide in Docket No. TM8603294, to provide intrastate intraLATA toll service statewide in Docket No. TE92111047, and to operate as a Competitive Local Exchange Carrier ("CLEC") statewide in Docket No. TE96060479.

As part of the transaction, Sprint shareholders will receive an aggregate of approximately \$12.1 billion from SoftBank via its subsidiaries in exchange for approximately 1.7 billion shares of Sprint stock. Sprint shareholders will have the right to exchange each of their existing shares of Sprint for (1) \$7.30 in cash, (2) one share of Starburst II stock, or (3) a combination of cash and a fraction of a share of Starburst II stock. In addition, SoftBank, via its subsidiaries, will contribute an aggregate of \$8 billion to Sprint's balance sheet in conjunction with this transaction, which funds will be used to strengthen Sprint's ability to compete in all aspects of its business. After the transaction is consummated, Sprint will be a wholly-owned subsidiary of Starburst II (to be renamed Sprint Corp.), with SoftBank, through Starburst I, owning approximately 70 percent of the shares of Starburst II and existing Sprint shareholders owning the remaining shares of Starburst II. Starburst II will own 100 percent of the stock of Sprint and its subsidiaries. The change in ultimate control does not involve a transfer of operating authority, assets, or customers in New Jersey or elsewhere. Sprint and its subsidiaries will continue to hold all of the authorizations that they hold prior to the transaction. The current customers of Sprint Communications will remain customers of Sprint Communications following the transaction. Accordingly the proposed transaction will be transparent to customers.

The Notification asserts that Board approval of the Transaction is not required under N.J.S.A. 48:2-51.1 or any other state statute or regulation. The letter Notification states that since the transaction occurs at the holding company level rather than the "public utility" level and that even if the Board were otherwise inclined to extend its jurisdiction to review a holding company level transaction, as it has sometimes done in the past, the New Jersey Legislature in P.L. 2008, c. 87 exempted financial transactions of parent corporations of telecommunications companies from Board review and approval.

N.J.S.A. 48:2-51.1 provides as follows: "...no person shall acquire or seek to acquire control of a public utility directly or indirectly ... without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void." That provision provides, with respect to the review by the BPU; "In considering a request for approval of an acquisition of control, the board shall evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates." The current merger standard is the positive benefits test. As per N.J.A.C. 14:1-5.14(c), positive benefits must result from the transaction in order for the Board to approve a merger. Acknowledging that Sprint Communications provides a regulated service, the Board will conduct its analysis based upon the above referenced criteria.

On February 20, 2013, Sprint Communications Company L.P. and Starburst II, Inc. filed verification with the Board, supplementing its notice of the indirect transfer of control.

No Adverse Impact:

Impact on Competition

The Proposed Transaction is not expected to adversely impact competition, because the neither Starburst II nor SoftBank have attributable interests in any U.S. wireless carriers or compete with Sprint, the proposed transaction poses no risk of competitive harm. To the

contrary, the transaction should enhance competition by creating a stronger rival to Verizon and AT&T.

Impact on Rates

The transaction will not have any negative impact on rates or the provision of services to Sprint Communications customers, which will continue to be provided pursuant to tariffs on file with the Board. Any future changes to the rates, terms and conditions of service will be undertaken pursuant to the customers' contracts and applicable law.

Impact on Employees

The transaction will not negatively impact Sprint Communications' employees. Sprint Communications does not have any employees in New Jersey. Sprint United Management Company, a subsidiary of Sprint, has 605 employees in New Jersey. The notice states that the impact of the transaction on employees should be positive as the existence of a better capitalized parent organization should create greater opportunities for growth, development and advancement for all employees.

Impact on Service

The proposed transaction will not have an adverse impact on the continued provision of safe, adequate and proper service at just and reasonable rates in fulfillment of New Jersey law. As noted, any changes in the products and services it provides will be made in full compliance with all applicable agreements, orders, rules and laws. Further, the proposed transaction will not affect the Board's powers or jurisdiction with respect to the New Jersey Operating Utility or the authority of any other governmental agencies as to the services or facilities of the New Jersey Operating Utility. The New Jersey Operating Utility will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of New Jersey public utilities.

Positive Benefits:

Furthermore, the proposed transaction is expected to provide a positive benefit by creating a strong, well-financed competitive entity in the telecommunications industry. The merged entity is expected to be better able to access capital markets, implement advanced services and technologies, and compete against other providers in the State.

The Division of Rate Counsel has reviewed this matter and by letter dated March 1, 2013 recommends Board approval of the Petition.

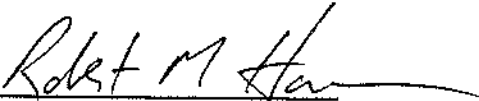
FINDINGS AND CONCLUSIONS

Based on the Board's review of the record in this matter, and the review of N.J.S.A. 48:2.51.1, the Board **HEREBY FINDS** that the transfer of control will not create any adverse impacts and the Board is satisfied that positive benefits will flow to customers based on the record presented by Petitioners as the transaction will strengthen Petitioner's competitive posture in the telecommunications market. In addition, the Board is persuaded that Petitioners will make every effort to minimize any potential adverse impact to employees in New Jersey. As such,

the Board **HERBY FINDS** the transaction in compliance with relevant law and regulation and therefore **HEREBY APPROVES** the transaction as described in the Notification.

DATED: 3/20/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER



JOSEPH L. FIORDALISO
COMMISSIONER


MARYANNA HOLDEN
COMMISSIONER

ATTEST


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



IN THE MATTER OF THE NOTIFICATION OF INDIRECT TRANSFER OF CONTROL OF
SPRINT COMMUNICATIONS COMPANY L.P. TO STARBURST II, INC
DOCKET NO. TM12111044

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