

DOCKET FILE COPY ORIGINAL

PART 25

Form 312 for SNET Personal Vision

DOCKET FILE COPY ORIGINAL

CC 98-25

ARNOLD & PORTER

555 TWELFTH STREET, N.W.
WASHINGTON, D.C. 20004-1206

(202) 942-5000
FACSIMILE: (202) 942-5999

NEW YORK
DENVER
LOS ANGELES
LONDON

PHILIP W. HORTON
(202) 942-5787

February 20, 1998

Federal Communications Commission
International Bureau -- Earth Stations
P.O. Box 358160
Pittsburgh, PA 15251-5160

Re: Application of Southern New England
Telecommunications Corporation and
SBC Communications Inc. for Authority, Pursuant
to Part 25 of the Commission's Rules, to Transfer
Control of Licenses Controlled by Southern New
England Telecommunications Corporation

Dear Sir/Madam:

Enclosed for filing please find an original and two copies of the application of SBC Communications Inc. and Southern New England Telecommunications Corporation for authority pursuant to Part 25 of the Commission's Rules to transfer control of certain licenses under Part 25 held by SNET Personal Vision, Inc. (Call Signs E960402 et al.). Also enclosed is a check payable to the Federal Communications Commission in the amount of \$615.00 for the prescribed filing fee.

Please direct questions or correspondence concerning SBC Communications Inc.'s portion of this application to:

Wayne Watts
General Attorney
SBC Communications Inc.
175 E. Houston
San Antonio, TX 78205
210-351-3476 (voice)
210-351-3488 (facsimile)

Please direct questions or correspondence concerning the portion of this application dealing with Southern New England Telecommunications Corporation (and its subsidiaries) to:

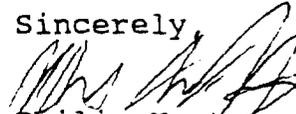
ARNOLD & PORTER

Federal Communications Commission
February 20, 1998
Page 2

Alfred J. Brunetti
Assistant General Counsel
Southern New England Telecommunications
Corporation
227 Church Street
New Haven, CT 06510
203-771-5507 (voice)
203-771-6577 (facsimile)

Thank you for your assistance.

Sincerely,



Philip Horton

Enclosures

ARNOLD & PORTER

555 Twelfth Street, N.W.
Washington, D.C. 20004-1202

Bankers Trust (Delaware)
Wilmington, Delaware
in Cooperation With
Crestar Bank N.A. **CRESTAR**
Washington, DC

325438
325438

62-38
311

Date February 19, 1998

PAY SIX HUNDRED FIFTEEN & NO/100

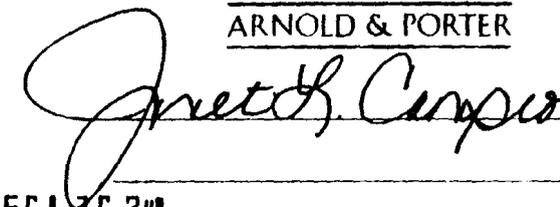
DOLLARS \$ 615.00

CDA Number 200564367

PAY
TO
THE
ORDER
OF

FCC

ARNOLD & PORTER



⑈000325438⑈ ⑆031100380⑆

00564367⑈

Invoice# 021998 02/19/1998 Amount: 615.00
Form 312 Transfer of SMC Personal Vision, Inc.
authorization to SRC

325438

**NOTICE TO INDIVIDUALS REQUIRED BY THE
PRIVACY ACT OF 1974 AND THE PAPERWORK
REDUCTION ACT**

The solicitation of the personal information requested in this form is authorized by the Communications Act, Sections 8 & 9, and other debts under the Debt Collection Improvement Act of 1996, P.L. 104-134. The form will be used primarily to capture information to maintain required accounts receivable, and collect fines and debts due the Commission. As part of the Debt Collection Improvement Act, agencies are authorized to refer specific Taxpayers Identification information which includes Employer Identification Numbers and Social Security Numbers to the Department of Treasury for further investigation and possible enforcement of a statute, rule, regulation or order. If we believe there may be a violation or potential violation of a FCC statute, regulation, rule or order, your application may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing or implementing the statute, rule, regulation or order. In certain cases, the information in your application may be disclosed to the Department of Justice or a court or adjudicative body when (a) the FCC; or (b) any employee of the FCC; or (c) the United States Government, is a party to a proceeding before the body or has an interest in the proceeding. If information requested on the form is not provided, processing of the application/filing may be delayed or returned without action pursuant to Commission rules.

If you owe a past due debt to the Federal Government, the taxpayer identification number (such as your social security number) and other information you provide may also be disclosed to the Department of the Treasury, Financial Management Service, other federal agencies and/or your employer to offset your salary, IRS tax refund or other payments to collect that debt. The FCC may also provide this information to these agencies through the matching of computer records when authorized

We have estimated that each response to this collection of information will take, on average, 30 minutes. Our estimate includes the time to read the instructions, look through

existing records, gather and maintain required data, and actually review and complete the form. If you have any comments on this estimate, or on how we can improve the collection of this data to reduce the burden it causes you, please write the Federal Communications Commission, AMD-PERM, Washington, DC 20554, Paperwork Reduction Project (3060-0589). We will also accept your comments via the Internet if you send them to jboley@fcc.gov. Please **DO NOT SEND COMPLETED APPLICATION FORMS TO THIS ADDRESS.**

Remember -- You are not required to respond to a collection of information sponsored by the Federal government, and the government may not conduct or sponsor this collection, unless it displays a currently valid OMB control number or if we fail to provide you with this notice. This collection has been assigned an OMB control number of 3060-0589.

This notice is required by the Privacy Act of 1974, Public Law 93-579, December 31, 1974, 5 U.S.C. Section 552a(e) (3) and the Paperwork Reduction Act of 1995, Public Law 104-13, October 1, 1995, 44 U.S.C. 3507.

COPY

FCC 312 Main Form	FEDERAL COMMUNICATIONS COMMISSION	Approved by OMB 3000-0678	FCC Use Only
		Est. Avg Burden Hours Per Response: 10 Hrs	File Number:
APPLICATION FOR SATELLITE SPACE AND EARTH STATION AUTHORIZATIONS			Call Sign:

PAYOR AND FILING FEE INFORMATION

a. Payor Name		b. Daytime Telephone Number		
c. Mailing Street Address or P.O. Box		d. FCC Account Number		
e. City	f. State	g. Zip Code	h. Country Code (if not U.S.A.)	
i. Payment Type Code	j. Quantity	k. Fee Due for Payment Type Code in (i)	l. Total Amount Paid	FCC Use Only

APPLICANT INFORMATION

1. Legal Name of Applicant SBC COMMUNICATIONS INC.		2. Voice Telephone Number (210) 351-3476 (WAYNE WATTS)		
3. Other Name Used for Doing Business (if any)		4. Fax Telephone Number (210) 351-3488		
5. Mailing Street Address or P.O. Box 175 EAST HOUSTON ATTENTION: WAYNE WATTS		6. City SAN ANTONIO	7. State / Country (if not U.S.A.) TX	8. Zip Code 78205
9. Name of Contact Representative (If other than applicant)			10. Voice Telephone Number	
11. Firm or Company Name			12. Fax Telephone Number	
13. Mailing Street Address or P.O. Box ATTENTION:		14. City	15. State / Country (if not U.S.A.)	16. Zip Code

CLASSIFICATION OF FILING

17. Place an "X" in the box next to the classification that applies to this filing for both questions a. and b. Mark only one box for 17a and only one box for 17b.

<input checked="" type="checkbox"/> a1. Earth Station	<input type="checkbox"/> b1. Application for License of New Station	<input type="checkbox"/> b4. Modification of License or Registration
<input type="checkbox"/> a2. Space Station	<input type="checkbox"/> b2. Application for Registration of New Domestic Receive-Only Station	<input type="checkbox"/> b5. Assignment of License or Registration
	<input type="checkbox"/> b3. Amendment to a Pending Application	<input checked="" type="checkbox"/> b6. Transfer of Control of License or Registration
		<input type="checkbox"/> b7. Notification of Minor Modification
		<input type="checkbox"/> b8. Other (Please Specify):

18. If this filing is in reference to an existing station, enter:
Call sign of station: E960402, ET AL.
(SEE EXHIBIT K)

19. If this filing is an amendment to a pending application enter:
(a) Date pending application was filed: _____
(b) File number of pending application: _____

TYPE OF SERVICE

20. NATURE OF SERVICE: This filing is for an authorization to provide or use the following type(s) of service(s). Place an "X" in the box(es) next to all that apply.

a. Fixed Satellite b. Mobile Satellite c. Radiodetermination Satellite d. Earth Exploration Satellite e. Other (please specify) _____

21. STATUS: Place an "X" in the box next to the applicable status. Mark only one box.

a. Common Carrier b. Non-Common Carrier

22. If earth station applicant, place an "X" in the box(es) next to all that apply.

a. Using U.S. licensed satellites b. Using Non-U.S. licensed satellites

23. If applicant is providing INTERNATIONAL COMMON CARRIER service, see instructions regarding Sec. 214 filings. Mark only one box. Are these facilities:

a. Connected to the Public Switched Network b. Not connected to the Public Switched Network

24. FREQUENCY BAND(S): Place an "X" in the box(es) next to all applicable frequency band(s).

a. C-Band (4/6 GHz) b. Ku-Band (12/14 GHz) c. Other (Please specify) 3700-4200 MHz

TYPE OF STATION

25. CLASS OF STATION: Place an "X" in the box next to the class of station that applies. Mark only one box.

a. Fixed Earth Station b. Temporary Fixed Earth Station c. 12/14 GHz VSAT Network d. Mobile Earth Station e. Space Station f. Other (Specify) _____

If space station applicant, go to Question 27

26. TYPE OF EARTH STATION FACILITY: Mark only one box.

a. Transmit/Receive b. Transmit Only c. Receive Only

PURPOSE OF MODIFICATION OR AMENDMENT

27. The purpose of this proposed modification or amendment is to: Place an "X" in the box(es) next to all that apply.

- a -- authorization to add new emission designator and related service
- b -- authorization to change emission designator and related service
- c -- authorization to increase EIRP and EIRP density
- d -- authorization to replace antenna
- e -- authorization to add antenna
- f -- authorization to relocate fixed station
- g -- authorization to change assigned frequency(ies)
- h -- authorization to add Points of Communication (satellites & countries)
- i -- authorization to change Points of Communication (satellites & countries)
- j -- authorization for facilities for which environmental assessment and radiation hazard reporting is required
- k -- Other (Please Specify) _____

APPLICATION FOR TRANSFER OF CONTROL OF AUTHORIZATION

ENVIRONMENTAL POLICY

28. Would a Commission grant of any proposal in this application or amendment have a significant environmental impact as defined by 47 CFR 1.1307? If YES, submit the statement as required by Sections 1.1308 and 1.1311 of the Commission's rules, 47 C.F.R. §§ 1.1308 and 1.1311, as Exhibit A to this application. YES NO

A Radiation Hazard Study must accompany all applications as Exhibit B for new transmitting facilities, major modifications, or major amendments. Refer to OET Bulletin 65.

ALIEN OWNERSHIP

29. Is the applicant a foreign government or the representative of any foreign government?	N/A	<input type="checkbox"/> YES	<input type="checkbox"/> NO
30. Is the applicant an alien or the representative of an alien?	N/A	<input type="checkbox"/> YES	<input type="checkbox"/> NO
31. Is the applicant a corporation organized under the laws of any foreign government?	N/A	<input type="checkbox"/> YES	<input type="checkbox"/> NO
32. Is the applicant a corporation of which more than one-fifth of the capital stock is owned of record or voted by aliens or their representatives or by a foreign government or representative thereof or by any corporation organized under the laws of a foreign country?	N/A	<input type="checkbox"/> YES	<input type="checkbox"/> NO
33. Is the applicant a corporation directly or indirectly controlled by any other corporation of which more than one-fourth of the capital stock is owned of record or voted by aliens, their representatives, or by a foreign government or representative thereof or by any corporation organized under the laws of a foreign country?	N/A	<input type="checkbox"/> YES	<input type="checkbox"/> NO
34. If any answer to questions 29, 30, 31, 32 and/or 33 is Yes, attach as Exhibit C an identification of the aliens or foreign entities, their nationality, their relationship to the applicant, and the percentage of stock they own or vote.	N/A		

BASIC QUALIFICATIONS

35. Does the applicant request any waivers or exemptions from any of the Commission's Rules? If Yes, attach as Exhibit D, copies of the requests for waivers or exceptions with supporting documents.	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
36. Has the applicant or any party to this application had any FCC station authorization or license revoked or had any application for an initial, modification or renewal of FCC station authorization, license, or construction permit denied by the Commission? If Yes, attach as Exhibit E, an explanation of the circumstances.	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO
37. Has the applicant, or any party to this application, or any party directly or indirectly controlling the applicant ever been convicted of a felony by any state or federal court?	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO
38. Has any court finally adjudged the applicant, or any person directly or indirectly controlling the applicant, guilty of unlawfully monopolizing or attempting unlawfully to monopolize radio communication, directly or indirectly, through control of manufacture or sale of radio apparatus, exclusive traffic arrangement or any other means or unfair methods of competition?	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO
39. Is the applicant, or any person directly or indirectly controlling the applicant, currently a party in any pending matter referred to in the preceding two items?	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO
40. By checking Yes, the undersigned certifies, that neither the applicant nor any other party to the application is subject to a denial of Federal benefits that includes FCC benefits pursuant to Section 5301 of the Anti-Drug Act of 1988, 21 U.S.C. Section 862, because of a conviction for possession or distribution of a controlled substance. See 47 CFR 1.2002(b) for the meaning of "party to the application" for these purposes.	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO

41. Description. (Summarize the nature of the application and the services to be provided).	
<p>SBC Communications Inc. hereby applies for the Commission's consent to transfer control of the Registrant (SNET Personal Vision) to it from Southern New England Telecommunications Corporation. The purpose of these earth stations is to receive programming, relayed via satellite, for the Registrant's use.</p>	

CERTIFICATION

The Applicant waives any claim to the use of any particular frequency or of the electromagnetic spectrum as against the regulatory power of the United States because of the previous use of the same, whether by license or otherwise, and requests an authorization in accordance with this application. The applicant certifies that grant of this application would not cause the applicant to be in violation of the spectrum aggregation limit in 47 CFR Part 20. All statements made in exhibits are a material part hereof and are incorporated herein as if set out in full in this application. The undersigned, individually and for the applicant, hereby certifies that all statements made in this application and in all attached exhibits are true, complete and correct to the best of his or her knowledge and belief, and are made in good faith.

42. Applicant is a (an): (Place an "X" in the box next to applicable response.)

- a. Individual b. Unincorporated Association c. Partnership d. Corporation e. Governmental Entity f. Other (Please specify) _____

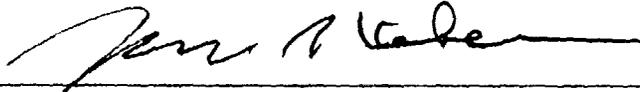
43. Typed Name of Person Signing

JAMES S. KAHAN

44. Title of Person Signing

SENIOR VICE PRESIDENT --
CORPORATE DEVELOPMENT

45. Signature



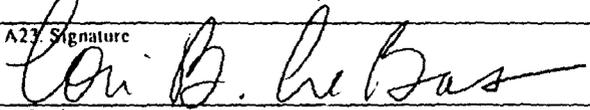
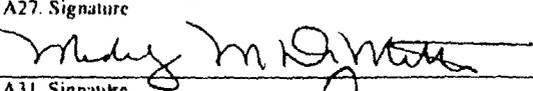
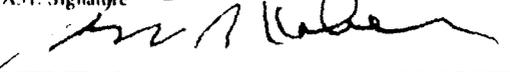
46. Date

FEBRUARY 18, 1998

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. Code, Title 18, Section 1001), AND/OR REVOCATION OF ANY STATION AUTHORIZATION (U.S. Code, Title 47, Section 312(a)(1)), AND/OR FORFEITURE (U.S. Code, Title 47, Section 503).

FEDERAL COMMUNICATIONS COMMISSION FCC 312 - Schedule A (Place an "X" in one of the blocks below)				FCC Use Only	
<input checked="" type="checkbox"/> CONSENT TO TRANSFER OF CONTROL		<input type="checkbox"/> CONSENT TO ASSIGNMENT OF LICENSE			
<input type="checkbox"/> NOTIFICATION OF TRANSFER OF CONTROL OF RECEIVE ONLY REGISTRATION		<input type="checkbox"/> NOTIFICATION OF ASSIGNMENT OF RECEIVE ONLY REGISTRATION			
A1. Name of Licensee or Registrant SNET PERSONAL VISION, INC. (LICENSEE WILL NOT CHANGE)			A2. Voice Telephone Number 203-771-8514		
A3. Mailing Street Address or P.O. Box 555 LONG WHARF DRIVE ATTENTION: WENDY BLUEMLING			A4. Fax Telephone Number 203-624-3549		
A5. City NEW HAVEN		A6. State / Country (if not U.S.A.) CT		A7. Zip Code 06511	
A8. List Call Sign(s) of station(s) being assigned or transferred E960402, E960403, E970446					A9. No. of station(s) listed 3
A10. Name of Transferor/Assignor (if different than licensee or registrant) SOUTHERN NEW ENGLAND TELECOMMUNICATIONS CORPORATION			A15. Name of Transferee/Assignee SBC COMMUNICATIONS INC.		
A11. Mailing Street Address or P.O. Box 227 CHURCH STREET			A16. Mailing Street Address or P.O. Box 175 EAST HOUSTON		
A12. City NEW HAVEN	A13. State/Country CT	A14. Zip Code 06510	A17. City SAN ANTONIO	A18. State/Country TX	A19. Zip Code 78205
A20. If these facilities are licensed, is the transferee/assignee directly or indirectly controlled by any other entity? If Yes, attach as Exhibit F, a statement (including organizational diagrams where appropriate) which fully and completely identifies the nature and extent of control including: (1) the name, address, citizenship, and primary business of the controlling entity and any intermediate subsidiaries or parties; and (2) the names, addresses, citizenship, and the percentages of voting and equity stock of those stockholders holding 10 percent or more of the controlling corporation's voting stock. <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO					
A21. If these facilities are licensed, attach as Exhibit G, a complete statement setting forth the facts which show how the assignment or transfer will serve the public interest.					

CERTIFICATION

1. The undersigned, individually and for licensee, certifies that all attached exhibits pertinent to Schedule A and all statements made in Schedule A of this application are true, complete and correct to the best of his/her knowledge and belief. The undersigned also certifies that any contracts or other instruments submitted herewith are complete and constitute the full agreement.			
2. The undersigned represents that stock will not be delivered and that control will not be transferred until the Commission's consent has been received, but that transfer of control or assignment of license will be completed within 60 days of Commission consent. The undersigned also acknowledges that the Commission must be notified by letter within 30 days of consummation.			
A22. Printed Name of Licensee (Must agree with A1) SNET PERSONAL VISION, INC.	A23. Signature 	A24. Title (Office Held by Person Signing) CORPORATE SECRETARY	A25. Date 2/19/98
A26. Printed Name of License Transferor/Assignor (If different than licensee. Must agree with A10) SOUTHERN NEW ENGLAND TELECOMMUNICATIONS CORPORATION	A27. Signature 	A28. Title (Office Held by Person Signing) SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY	A29. Date 2/19/98
A30. Printed Name of License Transferee/Assignee (Must agree with A15) SBC COMMUNICATIONS INC.	A31. Signature 	A32. Title (Office Held by Person Signing) SENIOR VICE PRESIDENT -- CORPORATE DEVELOPMENT	A33. Date 2/18/98

Response to Question 35

See pages 47-51 of Exhibit G.

**DESCRIPTION OF TRANSACTION,
PUBLIC INTEREST SHOWING
AND RELATED DEMONSTRATIONS**

I. Introduction

These applications seek Commission approval for the transfer of control of certain FCC authorizations held by subsidiaries of Southern New England Telecommunications Corporation ("SNET") from SNET, as the parent of the licensees, to SBC Communications Inc. ("SBC"), as the proposed new parent of SNET.¹ A list of the categories of FCC authorizations controlled by SNET appears at Attachment A to this Exhibit. Separate applications are being filed for each class of authorizations.

II. The Proposed Transaction

On January 4, 1998, SBC and SNET entered into an Agreement and Plan of Merger (the "Plan"), under which SNET would become a first tier, wholly-owned subsidiary of SBC. A copy of the Plan appears at Attachment B to this Exhibit. The Applicants plan to consummate the merger by the end of 1998, after the

¹ SBC and SNET are jointly referred to as the "Applicants."

necessary federal and state regulatory approvals have been received² and certain other preconditions have been met.

Under the Plan, SBC (CT) Inc., a wholly-owned SBC subsidiary formed to accomplish the merger, will merge into SNET, and the stockholders of SNET will receive, on a tax-free basis, newly-issued shares of SBC. The Plan provided for an exchange ratio of 0.8784 shares of SBC common stock for each share of SNET common stock. However, on January 30, 1998, SBC announced a 2 for 1 stock split which will modify the exchange ratio to allow each SNET stockholder to receive 1.7568 shares of SBC stock for each share of SNET stock.³ No previously outstanding SBC stock will be sold in connection with this transaction.

Following the merger, SBC will own all of the stock of SNET. SBC itself will be owned approximately 94% by the pre-merger shareholders of SBC and 6% by the pre-merger shareholders of SNET.⁴ SNET will continue to

² A description of these regulatory approvals, in addition to this Commission's review, is set forth in Section VI, below.

³ On January 2, 1998, before the merger announcement, SBC common stock was trading at \$74.94 and SNET common stock was trading at \$49.63.

⁴ At this time, SBC has approximately 920 million
[Footnote continued on next page]

own the stock of The Southern New England Telephone Company ("the SNET Telco"), The Woodbury Telephone Company ("Woodbury") and SNET's other subsidiaries. Those entities will continue to hold all of the FCC authorizations they currently hold. While SBC will become the new parent of SNET, there will be no transfer of direct control of the FCC authorizations since the current licensees will continue to hold their authorizations. SNET's operating headquarters will remain in Connecticut, its businesses will continue to operate under the SNET name in Connecticut, and an additional SBC Board seat will be created for a current member of the SNET Board.

III. Description of the Applicants

A. SBC

SBC's principal businesses consist of the local exchange, wireless and directory publishing services provided by operating subsidiaries of SBC. Since

[Footnote continued from previous page]
common shares outstanding and, after the stock split, it will have approximately 1.84 billion shares outstanding. SNET has approximately 300 million authorized common shares, of which approximately 69 million are issued and 66 million are outstanding. At the post-split exchange ratio of 1.7568, approximately 116 million new shares of SBC stock would be issued to SNET stockholders, representing approximately 6% of the new total of SBC shares.

enactment of the Telecommunications Act of 1996 ("1996 Act"), subsidiaries of SBC have also begun to provide Internet access service, and interexchange service outside of the seven states in which SBC subsidiaries are incumbent local exchange carriers ("ILECs").⁵ SBC also has a number of international interests.

The ILEC subsidiaries of SBC are Southwestern Bell Telephone Company ("SWBT"), Pacific Bell and Nevada Bell. SWBT has 15.7 million local exchange access lines within Texas, Missouri, Oklahoma, Kansas and Arkansas. Pacific Bell and Nevada Bell together have 17.7 million local exchange access lines within California and Nevada.

Both within those seven states, and in several other major areas, SBC's commercial mobile radio service ("CMRS") subsidiaries -- Southwestern Bell Mobile Systems ("SBMS"), Southwestern Bell Wireless, Inc. ("SWBW") and Pacific Bell Mobile Services ("PBMS") -- provide cellular and PCS services, including both local and interexchange wireless service, to a population of

⁵ SBC's seven "in-region" states are Arkansas, California, Kansas, Missouri, Nevada, Oklahoma and Texas.

over 73 million persons. These companies currently serve over 5.6 million CMRS customers.⁶

SBC's international telecommunications interests include investments in telecommunications companies in Mexico, France, the UK, Chile, South Africa, Israel, South Korea, Taiwan and Switzerland, and an investment in a proposed transpacific undersea cable system.

B. SNET

Today, SNET's businesses consist principally of the provision of local exchange, long distance and cellular service to customers in Connecticut. The SNET Telco is the oldest telephone company in the United States, having been established in 1878. Subsidiaries of SNET also provide directory publishing, cable television, Internet access and data services in Connecticut, as well as cellular service in Rhode Island and in western and southeastern Massachusetts.⁷

⁶ SBMS operates SBC's out-of-region cellular systems in the Chicago, Boston and Baltimore/Washington metropolitan areas, and in Upstate New York. SWBW operates SBC's cellular and PCS systems within the five in-region states served by SWBT. PBMS operates PCS systems in California and Nevada.

For ease of reference, SBMS and SWBW -- SBC's two cellular companies -- are hereafter jointly referred to as SBMS.

⁷ There is no overlap between the cellular systems of SBC and SNET in Massachusetts (or elsewhere). In
[Footnote continued on next page]

The SNET Telco serves 1.5 million customers with 2.3 million local access lines. SNET's long distance subsidiary, SNET America, Inc. ("SAI"), provides long distance service to 923,000 customers, and it also resells local service in Connecticut. Other subsidiaries of SNET provide cellular service, including local and interexchange wireless service, to approximately 460,000 customers within a population of 5.6 million persons. SNET's cable subsidiary, SNET Personal Vision, Inc., which is operating a competitive cable system in Connecticut, currently serves approximately 11,000 customers.

On January 24, 1997, SNET submitted to the Connecticut Department of Public Utility Control ("CDPUC") a proposal to restructure the SNET Telco into separate retail and wholesale business units. The CDPUC approved this proposal on June 25, 1997, subject to certain modifications. As a result of this restructuring, the SNET Telco will cease offering retail services by May 1999, and SAI will then be SNET's sole retail provider of local exchange and long distance

[Footnote continued from previous page]
Massachusetts, SBC provides cellular service in the Boston and Worcester-Fitchburg MSAs and in the Massachusetts 2 RSA. SNET provides cellular service in the Springfield-Chicopee-Holyoke, New Bedford-Fall River and Pittsfield MSAs and in the Massachusetts 1 RSA.

service. The SNET Telco will continue to function as an ILEC and a public service company, with the business purpose of meeting the needs of competing exchange carriers and other wholesale customers.

IV. Background Regarding the Merger

The SNET Telco has a long history as a local exchange carrier and a record of innovation and service. Indeed, SNET has been in the forefront of the industry in infrastructure development and product deployment, consistent with the demands of the Connecticut market and the State of Connecticut's goals for a sophisticated network infrastructure.

However, as explained below in this section, several recent factors -- including a reduction in SNET's scale and scope in relation to its principal competitors; the need for increased marketing and product development resources to respond to increasing competition; and a better understanding of the substantial costs SNET would have to incur to fulfill its market-opening initiatives (most of which are fixed costs that have little or no relation to scale) -- when combined with the ever-present demands of managing and maintaining its networks, led SNET to the conclusion that it needed to become part of a larger company to

maintain its ability to achieve its goals for itself, its customers and the State of Connecticut. After a careful review, the SNET Board of Directors approved the merger of SNET and SBC on January 4, 1998.

SNET's focus on the Connecticut market will not change as a consequence of this merger with SBC. To the contrary, the merger will enable the SNET Telco, and SNET's other operating subsidiaries, to fulfill their goals to serve their customers with high quality service and advanced products, and to compete effectively in the emerging telecommunications marketplace.

Many factors influenced SNET's decision, but most important was SNET's conclusion that it needed to become part of a successful telecommunications company with a larger scope and scale in order to achieve its strategic goals in a rapidly changing marketplace and regulatory environment. Scope and scale have always been important in the telephone industry. They are more important than ever today, as the industry undergoes a turbulent and expensive transition from monopoly to competition, and as the need to develop and market new products and services accelerates. The SNET Telco faces a particularly difficult challenge. On the one hand, with approximately \$2 billion in annual revenues and 2.3 million access lines, the SNET Telco is both too large

and serves too sophisticated a customer base to do anything but accept and comply fully with the many new, market-opening and other regulatory requirements it faces, and to incur their attendant costs. On the other hand, the SNET Telco is too small to be able to compete effectively with its principal competitors, which are growing even larger through recently-announced mergers.

For example, AT&T, with annual revenues of \$52 billion, announced on January 8, 1998, its plans to acquire Teleport Communications Group ("TCG"). Both of those companies are already competing in Connecticut's local market: AT&T as a reseller since March 1997, and TCG as the operator of an extensive fiber network in Connecticut since 1994. TCG is currently the largest alternative facilities-based local switch provider in Connecticut, offering competing wholesale and retail services. Its network spans over 364 route miles (and 12,520 fiber miles) and includes New London, New Haven, Fairfield, Litchfield and Hartford counties and is served by a switch that is interconnected to two SNET offices.⁸

⁸ See New Paradigm Resources Group, Inc., 1997 Annual Report on Local Telecommunications Competition at pp. 509, 516 (8th ed. 1997).

Another example is WorldCom. Its acquisition of MCI will combine three facilities-based networks in Connecticut with the second largest interexchange carrier in the country. Already, WorldCom is the nation's fourth largest interexchange carrier with annual revenues of \$4.5 billion. It recently acquired MFS Communications ("MFS") -- the largest competitive local exchange carrier in the country -- and it has just completed its acquisition of Brooks Fiber Properties ("Brooks Fiber"). MFS's Hartford network has been in operation since 1994. Brooks Fiber also has a Hartford network and a Stamford network, with fully redundant fiber rings and a Lucent 5ESS central office switch. With MCI, WorldCom would acquire a third fiber network in Hartford and a second switch in that city, and the combination of WorldCom and MCI will result in a company with annual revenues of approximately \$27 billion.⁹

While SBC had no plans to compete with SNET in any telecommunications market in Connecticut, the list of actual and potential local and long distance competitors in Connecticut, with resources larger than

⁹ Additional information regarding fiber deployment in Connecticut and throughout the country is set forth in the Commission's Fiber Deployment Update: End of Year 1996 (rel. Aug. 29, 1997). See pp. 2, 5, 6 and 46 et seq. of that report.

SNET, is not limited to those listed above.¹⁰ Rather, it also includes Sprint (with \$14 billion in annual revenues), GTE (with \$13 billion in annual revenues) and, of course, Bell Atlantic which has facilities, customers and brand name recognition in the state. A Bell Atlantic subsidiary currently operates a public service company within a portion of Connecticut, in addition to Bell Atlantic's statewide wireless operations.¹¹ Indeed, to date, over 30 companies have

¹⁰ The size of SNET's main competitors -- most of whom already have network facilities in Connecticut -- also gives them other advantages. As very large buyers of equipment and other products, they are able to negotiate large discounts with vendors. As very large providers of service, they can distribute the costs of funding or soliciting bids for the development of new technology over an extended base of operations. Over the long term, in an industry governed by such strong economies of scale and scope, SNET would find it increasingly difficult to compete effectively against rivals that are ten to twenty times its size.

¹¹ Other actual and potential competitors also include TCI, the country's largest cable operator with annual revenues of \$8 billion. TCI chose Connecticut as the first state in the nation in which to offer its integrated digital services. In October 1996, TCI began selling Hartford customers telephone, cable and Internet access services, including TCI's People Link local phone service, ALL TV digital video service, and @Home high-speed Internet access. Other cable television companies, such as Cablevision Systems (which recently announced plans to acquire TCI's Connecticut cable properties), Cox Communications and Comcast also have facilities, customers and brand name recognition in Connecticut, and have been certified to compete with SNET. These cable companies together have networks that cover approximately 70% of Connecticut.