FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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VIA FACSIMILE AND FIRST CLASS MAIL

Ed Freitag, Esq.
NeuStar, Inc.
1120 Vermont Avenue, N.W.
Suite 400
Washington, D.C. 20005

Re: North American Numbering Plan Administrator Neutrality Requirements
CC Docket No. 92-237, NSD File No. 98-151; Supercedes letter released July 1, 2002 under DA 02-1538

Dear Mr. Freitag:

This letter supercedes the letter regarding the same subject matter that was released on July 1, 2002, in its entirety. The principal purpose of this letter is to correct factual errors pertinent to NeuStar's Amended and Restated Stockholders' Agreement and Amended and Restated Voting Trust Agreement, and the analysis that rested on those misstated facts.

The Wireline Competition Bureau (Bureau) has completed its investigation concerning the acquisition of equity interests in NeuStar by two investors, and NeuStar's proposed additions to its Board of Directors (Board). After review of the information submitted by NeuStar and as discussed below, we have determined that the changes that have been disclosed would be inconsistent with the conditions set forth in the *Warburg Transfer Order*[1] if implemented without Commission approval, and therefore, other than expressly provided herein, direct you not to implement them. Furthermore, although our review indicates that the particular investments here do not, as a factual matter, violate the neutrality conditions, we clarify, to the extent that any confusion exists, that in the future NeuStar must seek and get prior approval from the Commission before changing its organizational structure by, for example, accepting additional investments, or making changes to the voting trust or the Board.

[1] *Request of Lockheed Martin Corporation and Warburg, Pincus & Co. for Review of the Transfer of the Lockheed Martin Communications Industry Services Business*, CC Docket No. 92-237, Order, 14 FCC Rcd 19792 (1999) (*Warburg Transfer Order*).

Representatives of NeuStar met with staff from the Bureau and the Office of General Counsel (OGC) on July 25, 2001, at which time the staff was advised that NeuStar (1) had accepted investments from two new entities, D.B. Capital Investors, L.P. and ABS Capital funds, and (2) was proposing to change the constitution of the Board. These actions raised questions concerning the Commission's neutrality rules and other requirements set forth in the *Warburg Transfer Order*. The Bureau submitted a request for information to NeuStar on August 13, 2001, and NeuStar submitted a response on August 23, 2001. After a review of the submitted materials and a meeting with NeuStar representatives on October 17, 2001, additional questions were raised. In response to a further information request from the Bureau, NeuStar submitted additional information on November 29 and December 7, 2001. The Bureau determined that this information was deficient. The deficiencies were not remedied until April 2, 2002, after numerous telephone conversations between Bureau and OGC staff and NeuStar's attorneys. Nevertheless, although in some instances it took time on the part of the staff to obtain certain ownership information from NeuStar, I am confident that communications and responsiveness have improved.

Turning to the specific facts before us, we do not find that the additional investments in NeuStar are a *per se* violation of the Commission's neutrality rules.[2] Nevertheless, by admitting two additional investors, thereby changing the overall ownership structure of the company, NeuStar has made a change to its organizational structure contrary to the language in paragraph 37 of the *Warburg Transfer Order*. As noted above, however, it does not appear that the change to the ownership structure has, by itself, changed the degree of control exercised over NeuStar by Warburg, Pincus & Co. (Warburg) or any other investor so as to raise a concern that the neutrality requirements would be violated. We therefore retroactively approve the admission of the new investors. We nonetheless admonish NeuStar for taking such action without Commission approval and emphasize to NeuStar that, in the future, no actions that could result in a change to its organizational structure may be taken by NeuStar without first receiving the Commission's approval.

We also note that both the Joint Venture Formation Agreement between NeuStar and Melbourne IT Limited, dated April 27, 2001, and the Registration Rights Agreement, dated June 5, 2001, contemplate certain actions by NeuStar.[3] Such actions would, if implemented without the Commission's prior approval, violate the *Warburg Transfer Order*. Accordingly, the Bureau specifically directs NeuStar to refrain from issuing additional shares, registering for sale, permitting the private sale, or otherwise permitting the transfer of any of its shares, if such action could result in a change in NeuStar's organizational structure, without first obtaining the Commission's approval.[4]

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[2] 47 C.F.R. § 52.12(a)(1).

[3] *See* Joint Venture Formation Agreement, Article 7; Registration Rights Agreement, Section 2.

[4] NeuStar would not be required to seek the Commission's approval, however, with respect to any employee share option plan that it operates.

Finally, we decline to address NeuStar's request to add two additional directors to its Board at this time.

In light of the importance the Commission has placed on the need for a neutral third-party numbering administrator, we now reiterate that NeuStar must seek and get prior approval for changes to its organizational structure, the voting trust, or the Board, even if NeuStar believes that such changes will not result in a violation of the Commission's neutrality rules or the *Warburg Transfer Order*. Changes to NeuStar's organizational structure may include, but are not limited to, changes in its overall ownership structure, corporate structure, bylaws, or distribution of equity interests.[5]

We understand that all of these changes have not yet been fully implemented, and caution you that, for the reasons described above, they may not be implemented without Commission approval under the terms of the *Warburg Transfer Order*. Any future changes of this nature, without first obtaining Commission approval, will subject NeuStar to any and all remedies available to the Commission, up to and including termination.

The Bureau values the important role that NeuStar has played in numbering administration, as well as the solid relationship that has been built with the Commission over the years. We look forward to working with you in the future to ensure that NeuStar, as the administrator of an important public resource, maintains its ability to serve in a neutral manner. If you have any questions concerning this letter, please contact Diane Griffin at (202) 418-1500 or Cheryl Callahan at (202) 418-7400.

Dorothy T. Attwood
Chief, Wireline Competition Bureau

[5] The Commission conditioned its approval of the transfer of NANPA functions to NeuStar on maintenance of NeuStar's "organizational structure . . ., the voting trust, and the Board of Directors," recognizing that "any change in the structure of the voting trust, the Board of Directors, or overall ownership structure may render NeuStar in violation of our neutrality requirements." *Warburg Transfer Order*, para. 37.