

**BEFORE THE PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI**

In the matter of the Application of	)	
SBC Long Distance, Inc.	)	
	)	
	)	
and	)	Case No. XM-2005-0219
	)	
SBC Telecom, Inc. for Authority to Transfer Stock	)	
of SBC Long Distance, Inc. to SBC Telecom, Inc.	)	
and Convert SBC Long Distance, Inc. to a Limited	)	
Liability Company.	)	

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**FIRST AMENDED APPLICATION AND MOTION FOR EXPEDITED TREATMENT,  
OR IN THE ALTERNATIVE, AN ORDER DECLINING JURISDICTION  
OVER THE PROPOSED TRANSACTIONS**

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SBC Long Distance, Inc. ("SBCLD"), formerly known as Southwestern Bell Communications Services Inc., d/b/a SBC Long Distance<sup>1</sup> and SBC Telecom, Inc. ("SBCT")(collectively, "Applicants"), through their undersigned counsel and pursuant to 4 CSR 240-3.535 and 4 CSR 240-3.525, hereby respectfully request that the Missouri Public Service Commission ("Commission") grant them authority to consummate a transaction involving the transfer of stock of SBCLD from SBC Communications Inc. ("SBC") to SBCT, and convert SBCLD from a corporation to a limited liability company, or in the alternative, issue its Order Declining Jurisdiction Over the Proposed Transaction. The Applicants respectfully request *expedited* treatment and consideration of this Application so that the Applicants' business plans can be implemented, which business plans include consummation of the Transactions on or about *April 30, 2005*. Thus, Applicants respectfully request that the Commission grant all relief

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<sup>1</sup> The Missouri Public Service Commission acknowledged the name change of SBCLD in an Order dated December 9, 2004 in Case No. TN-2005-0149.

sought herein on or before *April 30, 2005*. In the alternative, since the Applicants contend that the Commission does not have jurisdiction over the proposed transaction, the Applicants would request that the Commission issue its Order Declining Jurisdiction over the proposed transactions.

In support of this Application, Applicants respectfully provide the following information:

## **I. INFORMATION REGARDING THE APPLICANTS**

### **A. SBC LONG DISTANCE, INC.**

SBCLD is a corporation organized under the law of Delaware. The company's principal office is located at 5850 West Las Positas Boulevard, Pleasanton, California 94588. The company's main telephone number is (925) 468-5000. SBCLD's Certificate to Transact Business as a Foreign Corporation was filed in Case No. TA-2001-475 and is incorporated herein by reference.

SBCLD provides resold interLATA long-distance service throughout the state of Missouri pursuant to certificate of service authority granted by the Commission in Case Nos. TA-2001-475 and TA-99-47. SBCLD is authorized to provide long distance service in all 50 states. SBCLD also has authority to provide local service in the 37 states outside of the SBC ILEC territory. At present, SBCLD's stock is held by SBC. However, as a part of the proposed transaction, as more fully explained below, SBCLD's stock would be transferred from SBC to SBCT. In addition, SBCLD would be converted from a corporation to a limited liability company.

### **B. SBC COMMUNICATIONS, INC.**

SBC is a corporation organized under the law of Delaware. SBC, a Fortune 50 company, maintains its corporate headquarters at 175 East Houston Street, San Antonio, Texas. Through a

number of operating entities, including SBC Missouri, SBC provides voice and data telecommunications products and services, including local, long distance, DSL, wireless and satellite television, to consumers and businesses nationwide. Currently, the SBC family of companies serves more than 54 million access lines nationwide.

**C. SBC TELECOM, INC.**

SBC Telecom, Inc. ("SBCT") is a corporation organized under the law of Delaware. The company's principal office is located at 1010 North Saint Marys Street, San Antonio, Texas 78215. The company's main telephone number is (210) 246-8750. Following the conclusion of the proposed transaction, SBCT would own the stock of SBCLD.

**D. SBC DataComm, Inc.**

SBC DataComm, Inc. ("DataComm") is a corporation organized under the law of Delaware. The company's principal office is located at 225 W. Randolph St., Chicago, Illinois 60606. The company's main telephone number is (214) 576-5100. DataComm offers non-regulated data and voice products and services, such as customer premise equipment ("CPE"), managed care, maintenance and customer network installation. DataComm is not a public utility, and it has no certificate of service authority from this Commission. Following the conclusion of the proposed transaction, DataComm will be merged with SBCLD. For the reasons stated below, the Joint Applicants do not believe that approval of this merger is required by the Commission.

**II. PRINCIPAL CONTACTS**

All communications or correspondence regarding the Transactions or the Joint Application should be addressed or directed to the attorneys and authorized representatives for the Joint Applicants as follows:

Norman Descoteaux  
Associate Director - Regulatory  
SBC Long Distance, Inc.  
5850 West Las Positas Boulevard, Room NE137  
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San Antonio, Texas 78215  
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Vice President, General Counsel and Secretary  
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Facsimile: 210.246.8699  
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Jefferson City, MO 65101  
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[lwdority@sprintmail.com](mailto:lwdority@sprintmail.com)

### **III. SYNOPSIS OF TRANSACTIONS**

As a part of a corporate realignment being implemented by SBC to improve the administrative efficiency of SBC and its affiliates, the stock of SBCLD is being proposed to be transferred from SBC to SBCT. In addition, SBCLD will be converted from a corporation to a limited liability company under the laws of Delaware.<sup>2</sup> The proposed transaction will benefit the public interest since it will enable SBC and its affiliates to be structured in a way that will be more efficient and less complex administratively. In order to accomplish the SBC's business plan and proposed corporate realignment, it will be necessary to transfer the stock of SBCLD from SBC to SBCT, and convert SBCLD from a corporation to a limited liability company, on or about April 30, 2005.

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<sup>2</sup> During the late 1990s, SBC acquired Pacific Telesis Group ("PTG"), Ameritech Corporation (now named SBC Teleholdings, Inc.), and Southern New England Telecommunications Corporation ("SNET" and, together with PTG and SBC Teleholdings, Inc., the "Holding Companies"). Those acquisitions have made SBC's corporate legal structure complex with cross-ownership relationships among legal entities. In addition, the Holding Companies that own the subsidiaries that operate SBC's wireline, data, Internet, directory, wireless, and other businesses, are organized on a regional basis. Consequently, the functionally related business units and segments within SBC's operations have become fragmented within SBC's corporate legal structure.

SBC and its affiliates are proposing to enter into several multi-step transactions which are components of SBC's plan to organize its operations around related business units instead of regions and reduce the complexity of SBC's corporate structure. The first step of the transactions will make SBC Telecom, currently an operating company providing competitive local exchange services, a holding company. Another step will make SBC Telecom a second-tier holding company when SBC contributes its SBC Telecom stock to SBC Teleholdings. A third step will align three complementary business segments (previously controlled by three separate legal entities, SBC Telecom, SBSCS and SBC DataComm, Inc.) in a single operating company, SBC Long Distance, LLC ("SBCLD LLC"). This alignment of related business units in a single operating entity will increase efficiency within SBC. SBC will own SBCLD LLC (through SBC's 100 percent ownership of SBC Teleholdings and SBC Teleholdings' 100 percent ownership of Telecom); consequently, there will be no adverse effect on SBC's ownership of any of its operating subsidiaries. More importantly, the corporate realignment accomplished by the Transactions will be virtually seamless and will not adversely affect SBC's customers.

**IV. THE COMMISSION SHOULD DECLINE JURISDICTION OVER THE PROPOSED TRANSACTION INVOLVING SBCLD.**

Since SBCLD is not a Missouri corporation, the Applicants contend that approval to transfer the stock of SBCLD from SBC to SBCT is not required by Section 392.300.2 since this statutory provision applies to telecommunications companies "organized or existing under or by virtue of the laws of this state." Section 392.300.2. See Order, Joint Application of NEXTLINK Missouri, Inc. and NEXTLINK Long Distance Services, Inc. for Approval of the Pro Forma Transfers of Control of NEXTLINK Missouri, Inc. and NEXTLINK Long Distance Services, Inc. from NEXTLINK Communications, Inc. to NM Acquisition Group, Case No. TM-2000-524, 2000 MO PSC LEXIS 553 (2000) ("NEXTLINK"), *citing*, Public Service Commission v. Union Pacific Railway Co., 197 S.W. 39, 41 (Mo. Banc 1917); Order, Contingent Application of CFL, LLC, Case No. TM-99-36, 2000 MO PSC LEXIS 910 (2000). In the Missouri Supreme Court's 1917 decision, the Court ruled against the Commission's attempt to require that the Union Pacific Railroad, a Utah corporation, secure the Commission's approval before issuing bonds. While the case involved a railroad statute, the operative wording of that statute is essentially the same as that of Section 392.300.2.

In addition, when the Commission approved SBCLD's certificate of service authority to provide intrastate interexchange telecommunications services in Missouri, the Commission classified SBCLD as a competitive communications company and specifically waived application of several statutes (including Section 392.300.2 and 392.340), finding that such waivers "are identical to those historically granted to competitive carriers by this Commission in the issuance of certificates of interexchange service authority" and also finding that "no other interexchange carrier in the state is being required to follow these statutory or regulatory provisions." Order, Application of Southwestern Bell Communications Services Inc., d/b/a SBC

Long Distance, for a Certificate of Service Authority to Provide Interexchange Telecommunications Services within the State of Missouri; Application of Southwestern Bell Communications Services Inc., d/b/a Southwestern Bell Long Distance, for a Certificate of Service Authority to Provide Interexchange Telecommunications Services within the State of Missouri, Case Nos. TA-2001-475 & TA-99-47, 2001 MO PSC LEXIS 1620 (2001) (“*SBCLD*”). Thus, Section 392.300.2 is inapplicable to the instant transaction regardless of the outcome of the argument about whether Section 392.300.2 applies to a foreign corporation.

The Applicants also contend that the conversion of SBCLD from a corporation to a limited liability company would not require the approval of the Commission. This transaction would not require setting up a separate LLC and transferring any assets/liabilities or stock of SBCLD into the LLC. Rather, a “conversion certificate” would be prepared and, through an appropriate board resolution, SBCLD would change its form of corporate structure to an LLC, pursuant to Delaware law. The Commission has previously held that a conversion to an LLC does not require the approval of the Commission. *See Order Directing Filing of Change of Name, Joint Application of Claricom Networks, Inc., Claricom Holdings, Inc., Staples, Inc., Stacom Holdings, LLC, and Platinum Equity, LLC, for Approval of the Transfer of Stock in Claricom Holdings, Inc. to Stacom Holdings, Inc.*, Case No. TM-2001-669, (December 13, 2001) (“*Claricom*”). Notably, in *Claricom*, the Commission asked its Staff whether a proposed conversion to a LLC triggers any required action by the Commission. The Staff recommended that the Commission order the filing of an application for a change of name, and the Commission issued the order as recommended. *Id.*

Once the conversion of SBCLD to SBCLD LLC is completed, SBCLD LLC will file a name change notification letter, pursuant to 4 CSR 240-2.060(16).

In addition, as a part of the transaction, DataComm, an unregulated provider of data services, will be merged into SBC Long Distance, LLC. This aspect of the transaction should not require Commission approval under Section 392.300.1 since SBCLD's "franchise, facilities or system, necessary or useful in the performance of its duties to the public" will not be merged or consolidated with any "line or system, or franchises" of DataComm. DataComm does not have any "lines, system or franchises" that will be merged or consolidated with the facilities of SBC Long Distance. There will be no impact of the merger on SBCLD's Missouri jurisdictional operations relative to the merger with DataComm. At this time, no formal agreement of corporation merger and consolidation exists. Therefore, to the extent that the Commission believes that such is necessary, the Joint Applicants respectfully request that the requirements of 4 CSR 240-3.525(2)(A) to file a proposed plan and agreement of corporate merger and consolidation be waived. If the Commission believes that this aspect of the transaction requires regulatory approval, which for the reasons stated above the Joint Applicants believe it should not, the Joint Applicants respectfully request that it be approved by April 30, 2005, as discussed below.

Applicants desire to complete the proposed transaction *on or about April 30, 2005*. To that end, Applicants respectfully request that the Commission expedite the processing and grant of approval of this Application as soon as possible, or in the alternative, the issuance of an Order Declining Jurisdiction. Applicants have already explained herein the public interest benefits that will accrue from an expedited approval of the transaction. There will be no negative effect on the customers or the general public from the expedited approval of the Application. Finally, this Motion For Expedited Treatment was filed as soon as it could have been since it is being filed as part of the Application in this proceeding.



**V. TAX IMPACT**

Since there will be no change in the location of any structures, facilities or equipment in Missouri, the proposed transaction will have no impact upon the tax revenues of the political subdivisions in which any structures, facilities, or equipment of the Applicants is located.

**VI. NO PENDING ACTIONS INVOLVING CUSTOMER SERVICE OR RATES**

Applicants have no pending actions or final unsatisfied judgments or decisions against them from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three (3) years of the date of the application.

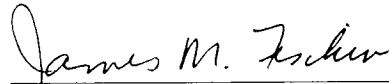
**VII. NO ANNUAL REPORTS AND REGULATORY ASSESSMENTS OVERDUE**

Applicants have no annual reports or regulatory assessment fees that are overdue in Missouri.

**VIII. CONCLUSION**

The Applicants respectfully request that the Commission grant approval for the transfer of stock of SBCLD from SBC to SBCT, and the merger of SBC Long Distance and DataComm, as set forth above, and for such other and further relief the Commission determines is appropriate, on or before *April 30, 2005*. In the alternative, since the Applicants do not believe that the Commission has jurisdiction over the proposed transaction, the Applicants would respectfully request that the Commission issue its Order Declining Jurisdiction over the proposed transaction.

Respectfully submitted,



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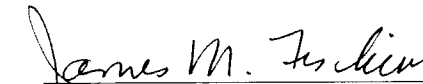
Counsel for the Joint Applicants

### **CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, First Class, postage prepaid, this 8th day of February, 2005 to:

Office of the Public Counsel  
P.O. Box 2230  
Jefferson City, MO 65102

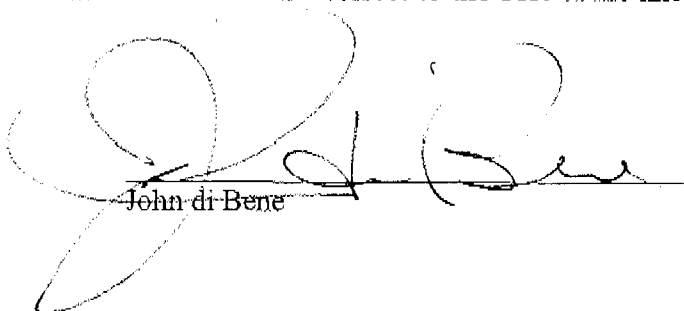
General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102

  
James M. Fischer

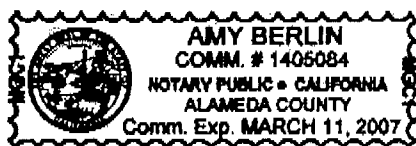
## VERIFICATION

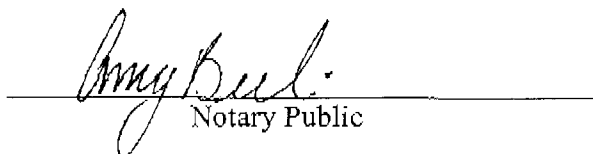
STATE OF CALIFORNIA       )  
  ) ss.  
COUNTY OF ALAMEDA       )

John di Bene, being first duly sworn, on his oath and in his capacity as Vice President, General Counsel and Secretary for SBC Long Distance, Inc., states that he is authorized to execute on behalf of SBC Long Distance, Inc. this Application, and has knowledge of the matters stated in this application, and that said matters are true and correct to the best of his knowledge and belief.

  
John di Bene

Subscribed and sworn (or affirmed) before me on this 7th day of February, 2005, by John di Bene and personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.



  
Notary Public

My Commission Expires: 3/11/07

# **EXHIBIT A**

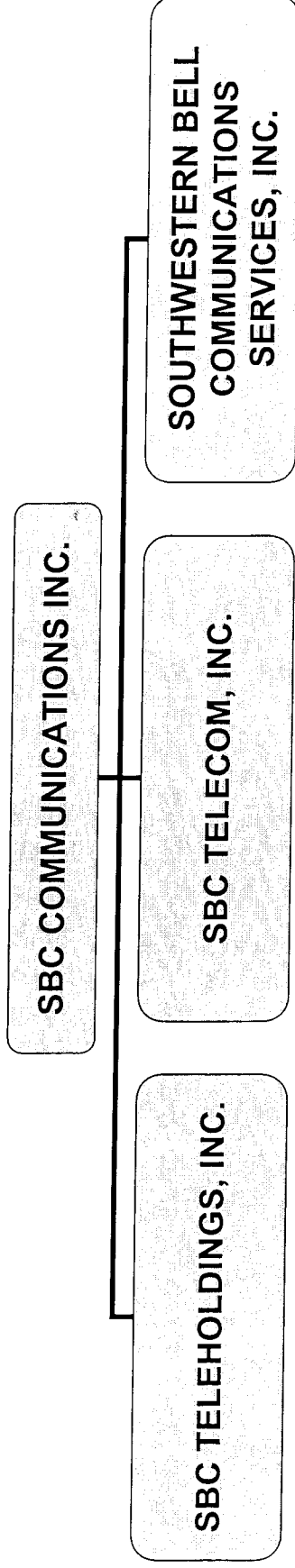
## **Corporate Organizational Chart of SBC Post Transaction**

# **SBC COMMUNICATIONS INC.**

## **PRE-RESTRUCTURING ORGANIZATION**

AS OF OCTOBER 1, 2004

(ORGANIZATION CHART ONLY INCLUDES SUBSIDIARIES THAT ARE IMPACTED BY THIS RESTRUCTURING. UNAFFECTED SUBSIDIARIES ARE NOT DISPLAYED.)



# **SBC COMMUNICATIONS INC.**

## **POST-RESTRUCTURING ORGANIZATION**

AS OF OCTOBER 1, 2004

(ORGANIZATION CHART ONLY INCLUDES SUBSIDIARIES THAT ARE IMPACTED BY THIS RESTRUCTURING. UNAFFECTED SUBSIDIARIES ARE NOT DISPLAYED.)

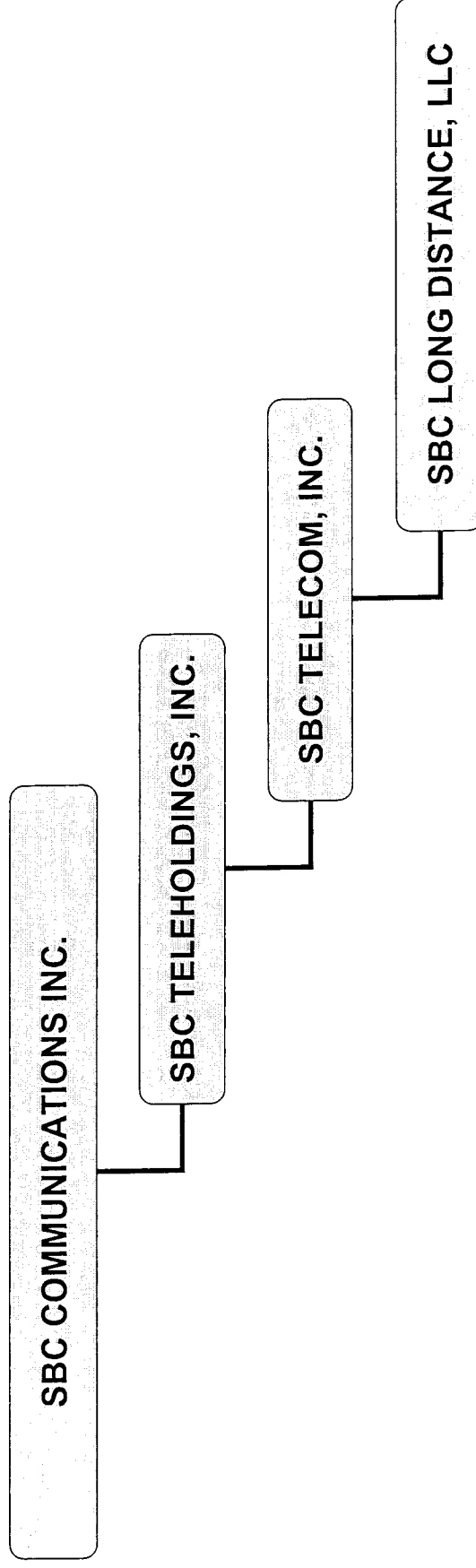


Exhibit B  
Description of Services provided by SBCLD

SBC Long Distance, Inc. offers an array of long distance products to both Residence and Business customers. These products include basic and bundled pricing, block-of-time options, calling card and toll-free services, and data services such as private line, frame relay and ATM Cell Relay. SBC Long Distance, Inc. is authorized to provide interexchange services throughout the United States. Although SBCLD also has authority to provide local service in the 37 states outside of the SBC ILEC territory, it has not yet begun providing local exchange service.