

Decision **PROPOSED DECISION OF ALJ BEMESDERFER (Mailed 4/9/13)****BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Joint Application of Sprint Communications Company, L.P. (U-5112-C), and Starburst II, Inc. for Approval of an Indirect Transfer of Control of Sprint Communications Company, L.P. to Starburst II, Inc.

Application 12-11-022  
(Filed November 27, 2012)

**DECISION AUTHORIZING TRANSFER OF CONTROL****1. Summary**

Applicants Sprint Communications Company, L.P. (Sprint Communications) and Starburst II, Inc. (Starburst II) are granted approval to consummate a transaction under which Starburst II will become the direct parent of Sprint Nextel Corporation (Sprint Nextel) and indirect parent of its wholly-owned subsidiary, Sprint Communications, and by which Softbank Corp. (SoftBank), through its newly formed affiliate Starburst II, will invest \$20.1 billion in Sprint Nextel and indirectly acquire approximately 70 percent of the shares of Sprint Nextel. The transaction is at the parent holding company level only. Accordingly, Sprint Communications will not be directly affected by the transaction described herein and will continue to be a wholly-owned subsidiary of Sprint Nextel.

**1.1. Parties to the Transaction**

Sprint Communications is a Delaware limited partnership with its principal business office at 6200 Sprint Parkway, Overland Park, Kansas 66251.

Sprint Communications is authorized to provide wireline competitive local exchange carrier and non-dominant interexchange carrier services in California pursuant to Commission Decisions (D.) 07-07-027, D.97-08-045 and D.88-11-045.<sup>1</sup>

Sprint Communications is a wholly-owned subsidiary of Sprint Nextel.

Sprint Nextel is a publicly-traded Kansas corporation with a principal business office at 6200 Sprint Parkway, Overland Park, Kansas 66251.<sup>2</sup> Sprint Nextel has no majority owner, although two institutional investors hold a greater than 10 percent ownership interest in Sprint Nextel.<sup>3</sup> Sprint Nextel is a global

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<sup>1</sup> D.97-08-045 authorized Sprint Communications to operate as a CLEC in certain specified areas in California. Prior to D.97-08-045, Sprint Communications acquired authority to provide different services in California through a series of decisions by this Commission. Sprint Communications' original predecessor-in-interest, GTE Sprint Communications Corporation, received a certificate of public convenience and necessity authorizing provision of interLATA telecommunications services in California in D.84-01-037. This authority was transferred to U.S. Sprint Communications Company in D.86-06-028 and thence to U.S. Sprint Communications Company L.P. (now renamed as "Sprint Communications Company L.P.," i.e., Sprint Communications), in D.88-11-064. Sprint Communications received authority to provide intraLATA digital high speed private line services in D.89-02-027 and intraLATA toll services in D.93-04-063 (effective upon issuance of D.94-09-065, the Implementation Rate Design decision). In D.07-08-027, Sprint Communications obtained authority from this Commission to provide limited facilities-based competitive local exchange services within the service territories of SureWest Telephone (formerly known as Roseville Telephone Company) and Citizens Telephone Company d/b/a Frontier Communications of California.

<sup>2</sup> Various Sprint Nextel subsidiaries also hold Federal Communications Commission (FCC) licenses and authorizations. Applicants have filed appropriate applications with the FCC for approval of the indirect transfer of those licenses and authorizations.

<sup>3</sup> Recent Schedule 13-G filings with the Securities and Exchange Commission demonstrate that: (1) Capital Research Global Investors, a U.S. investment advisor company, is the beneficial owner of approximately 10.7 percent of Sprint Nextel's common stock; and (2) Dodge & Cox, a U.S. investment advisor company, is the beneficial owner on behalf of itself and its clients of 10.3 percent of Sprint Nextel's

*Footnote continued on next page*

communications company that, through its subsidiaries,<sup>4</sup> offers a comprehensive range of wireless and wireline voice and data products and services designed to meet the needs of residential consumers, businesses, government subscribers, and resellers throughout the country and around the globe. Through its subsidiaries, Sprint Nextel offers wireless and wireline voice and data services in California and throughout the United States. In addition, Sprint Nextel is one of the country's largest carriers of Internet traffic and provides Internet connectivity in California.

Separately, Sprint Telephony PCS, L.P. (U 3064 C), Sprint Spectrum L.P. as agent for Wireless Co., L.P. (U 3062 C) dba Sprint PCS, Nextel of California, Inc. (U 3066 C), Nextel Boost of California LLC (U 4332 C), and Virgin Mobile USA, L.P. (U 4327 C) (collectively, the Sprint wireless entities) provided 30-days advance notice of the proposed transaction to the Commission by letter,<sup>5</sup> pursuant to Commission Decision 95-10-032,<sup>6</sup> that they are parties to the transaction, and that, as a result of the transaction, there will be an indirect transfer of control of the Sprint wireless entities to SoftBank.

Starburst II is a newly-formed Delaware corporation that will hold all shares of Sprint Nextel at closing. Starburst II will be renamed

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common stock. See Capital Research Global Investors, Schedule 13-G (April 9, 2012); Dodge & Cox, Schedule 13-G (June 7, 2012).

<sup>4</sup> Sprint Nextel is primarily a holding company. Most of its operations are conducted by its subsidiaries, including, but not limited to, Sprint Communications.

<sup>5</sup> A copy of the letter to the Commission's Communications Division is attached to this decision as Attachment A.

<sup>6</sup> *Investigation on the Commission's Own Motion Into Mobile Telephone Service and Wireless Communications*, I.93-12-007 [D.95-10-032] (1995) 62 CPUC2d 3, 1995 Cal. PUC LEXIS 888

Sprint Corporation. Starburst II's principal offices are located at 38 Glen Avenue, Newton, Massachusetts 02459. At this time, Starburst II does not provide telecommunications services or hold any telecommunications licenses. Upon consummation of the proposed transaction, approximately 70 percent of Starburst II's common stock will be held, through a holding company, by SoftBank.

SoftBank is a publicly-traded holding company, organized and existing under the laws of Japan and headquartered in Tokyo, at 1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo 105-7303 Japan. 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.<sup>7</sup> 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.<sup>8</sup> SoftBank's various subsidiaries and affiliates are engaged in a number of information technology and Internet-related businesses in Japan, including mobile communications, broadband infrastructure, fixed-line

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<sup>7</sup> Mr. Masayoshi Son's 22.49 percent interest includes both the 21.09 percent of SoftBank shares that he owns directly and an additional 1.40 percent that he owns indirectly.

<sup>8</sup> Based on SoftBank's most recent share register, no single person or entity other than Mr. Son currently owns more than 10 percent of SoftBank's shares. A recent public securities filing in Japan analogous to the Form 13D of the U.S. Securities and Exchange Commission, however, indicates that each of four entities affiliated with The Capital Group Companies, Inc. (Capital Group) beneficially own interests in SoftBank that are below 10 percent but that aggregate to 10.04 percent of SoftBank's stock. Capital Group is an investment management company headquartered in Los Angeles, California. The above-described informational filing states that these Capital Group affiliates hold SoftBank stock as follows: Capital Research and Management Company (8.34 percent); Capital Guardian Trust Company (1.39 percent); Capital International Limited (0.16 percent); and Capital International Inc. (0.14 percent).

telecommunications, e-commerce, and web portals. The company also invests in dynamic, innovative Internet-based companies throughout the world.

SoftBank's wholly-owned subsidiary, SOFTBANK MOBILE Corp. (SoftBankMobile) is currently the third largest wireless carrier in Japan, with approximately 30.5 million wireless subscribers, giving it approximately 22 percent of the Japanese wireless market as of September 30, 2012. SoftBank Mobile generated wireless revenues of nearly \$27.6 billion in fiscal year 2011, which ended on March 31, 2012.

SoftBank also provides wireline broadband and telecommunications services in Japan through two wholly-owned subsidiaries, SOFTBANK BB Corp. (SoftBank BB) and SOFTBANK TELECOM Corp. (SoftBank Telecom). SoftBank BB provides residential wireline broadband service to approximately 4.2 million customers in Japan, and SoftBank Telecom provides a direct connection voice service to approximately 1.7 million primarily corporate subscribers in Japan.

SoftBank holds no authorizations from the Commission and has no customers in the state of California. SoftBank's only telecommunications interest in the United States is JAPAN TELECOM AMERICA, INC. (JTA), which is a wholly-owned subsidiary of SoftBank Telecom. Although JTA holds an international Section 214 authorization from the FCC, JTA provides only limited private line services to its sole customer, SoftBank Telecom, and has no U.S. customers.

No transfer of Sprint Communication's Certificate of Public Convenience and Necessity, assets, or customers will occur with this transaction. The applicants state that the transaction will not cause any immediate change in the direct ownership or legal structure of Sprint Communications. They represent

that the transaction will not affect the daily management or operations of Sprint Communications, and after the transaction is consummated, Sprint Communications will continue to provide service at current rates, terms, and conditions. Applicants further assert that the transaction will not eliminate existing or potential competitors, and will enhance Sprint Communication's ability to compete, to the ultimate benefit of consumers.

## **2. Protests to the Application**

The application was protested on December 20, 2012 by the National Asian American Coalition, Latino Business Chamber of Greater L.A., and Ecumenical Center for Black Church Studies (collectively, NAAC) and on December 21, 2012 by The Center for Accessible Technology, Division of Ratepayer Advocates, The Greenlining Institute, The National Consumer Law Center, and The Utility Reform Network (collectively, Consumer Groups).

### **2.1. NAAC's Protest**

NAAC's Protest contends that Applicants have not "adequately addressed public interest benefits related to" the proposed acquisition.<sup>9</sup> The Protest indicates that NAAC expects:

. . . to examine: (1) the extent to which Sprint has considered the public interest provisions in §§ 854(a) - (c) of the California Public Utilities Code; (2) how the utility plans to offer to "increase its network investment, accelerate its broadband deployment, and improve its coverage"; (3) the specific devices and services that Sprint plans to offer as a new "wide range" as a result of the acquisition; (4) the extent to which the CPUC has jurisdiction over the wireless component of this acquisition; (5) the extent to which the infusion of capital will increase Sprint's competitiveness in

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<sup>9</sup> NAAC Protest at 3 (fn. omitted).

California; and (6) the planned public benefit to California's nine million people living in poverty and 26 million people of color.<sup>10</sup>

According to NAAC, "The primary issue is whether SoftBank's CEO . . . is prepared to personally visit this Commission, key minority groups, and key general consumer groups . . . to assure that SoftBank intends to adhere to the highest public interest standards."<sup>11</sup> NAAC speculates that "The instant application . . . may harm the interests of California's ratepayers."<sup>12</sup>

## 2.2. Consumer Groups' Protest

The Protest by Consumer Groups states that they ". . . have concerns about the potential impacts that [the proposed transaction] could have on California ratepayers."<sup>13</sup> Consumer Groups further state that they:

. . . are reviewing various factors, including the proposed transaction's potential impact on competition, quality of service (particularly with regard to availability of affordable service for vulnerable customers), management, employees, and state and local economies, as well as the Commission's ability to regulate public utilities. Consumer Parties are undertaking this review to evaluate whether they believe that the proposed transaction is in the public interest and provide those conclusions to the Commission . . . Consumer Parties urge the Commission to further investigate and conduct additional research into this proposed transaction to ensure that the purported benefits are realized and potential risks to Sprint customers are mitigated.<sup>14</sup>

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.* at 6.

<sup>13</sup> Consumer Groups Protest at 1.

<sup>14</sup> *Id.*

Consumer Groups appear to accept that Public Utilities Code Sections (Pub. Util. Code §§) 854(b) and (c) do not apply to the Application, but nonetheless urge the Commission to “utilize the criteria” in those sections in reviewing the proposed transaction.<sup>15</sup> They also urge the Commission to include in this proceeding consideration of the transfer of Sprint wireless entities to Softbank Corp. (SoftBank), claiming that “. . . the Commission cannot engage in a meaningful review of the proposed transfer of Sprint’s wireline entities without also reviewing the transfer of Sprint’s wireless entities.”<sup>16</sup>

### **2.3. Discussion**

Protestants do not appear to oppose the Commission’s granting the Application. Although they call for further inquiry, Protestants do not demonstrate any cause or need for such inquiry. Protestants do not identify any harm, either general or specific, that will befall ratepayers in California or the public interest if the Application is approved under Pub. Util. Code § 854(a). Protestants do not point to any specific instance in which either Sprint or SoftBank has failed to meet its public interest obligations. Although Protestants suggest a need for discovery and a prehearing conference in this proceeding, they do not actually ask the Commission to reject or deny the Application. Finally, Protestants do not suggest, let alone argue, that SoftBank, the third largest provider of wireless communications services in Japan, somehow lacks the requisite financial and managerial resources to operate Sprint Communications in California.

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<sup>15</sup> *Id.* at 5-6.

<sup>16</sup> *Id.* at 7-8.



The primary standard by which the Commission reviews whether a transaction should be approved under Section 854(a), is whether the transaction will be “adverse to the public interest.”<sup>17</sup> As part of its determination, and where a company acquiring control of a certificated telecommunications carrier does not possess a certificate of public convenience and necessity (CPCN) in California, the Commission applies the same requirements that govern a new applicant seeking a CPCN to exercise the type of authority held by the company being acquired. Specifically, the company must demonstrate a minimum of \$100,000 in cash or cash equivalent and demonstrate adequate technical expertise in telecommunications or a related business.

The applicants have provided information that reflects that the proposed change in ultimate ownership of Sprint Communications will not adversely impact its operations or financial status. Applicants have provided information that demonstrates that the acquiring company, Starburst II, Inc. (Starburst II) has sufficient managerial and technical expertise and sufficient financial resources to operate the acquired carrier.

Information provided about Starburst II’s management team reflects its significant experience in a variety of industries, including the telecommunications industry. The applicants also state that to the best of their knowledge, no legal complaints have been decided against Starburst II or any affiliates, or are pending in any court in California or any other state, involving an alleged violation of Section 17000 *et seq.* of the California Business and Profession Code, any misrepresentation to customers, or any similar violations.

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<sup>17</sup> See D.03-12-033, *mimeo* at 6; D.01-06-007, *mimeo* at 15.

Applicants also state that to the best of their knowledge, no Applicant, any affiliate, officer, director, partner, nor owner of more than 10 percent of Starburst II, or any person acting in such capacity whether or not formally appointed, has been sanctioned by the Federal Communications Commission or any state regulatory agency for failure to comply with any regulatory statute, rule, or order. In addition, applicants have represented that there will be no change in Sprint Communication's management, operations, and service offerings and thus the transaction will not affect Sprint Communication's operations. Thus, the transaction satisfies the Commission's technical requirements.

As for financial qualifications, the applicants attached a copy of the consolidated financial statements of SoftBank, the corporate parent, of Starburst II, reflecting information through September 30, 2012, as Exhibit F to the application. The exhibit reflects that Softbank has more than sufficient cash or cash equivalents to meet the Commission's requirements for acquiring a CPCN. Accordingly, the transaction meets the requisite financial requirements and there is no basis to find that the transaction will adversely affect Sprint Communication's financial status.

We find that Applicants have demonstrated that Starburst II has the financial and technical qualifications to acquire Sprint Communications.

We also find that the transaction is consistent with the public interest. There will be no immediate changes to Sprint Communication's direct management or the service that Sprint Communications provides as a result of the transfer. Applicants represent that Sprint Communications will continue to operate in the same manner after the transaction is completed as it operates today. The applicants also assert that there will be no interruption or disruption

of service to customers. The transaction will thus be seamless for Sprint Communication's customers. Finally, the applicants note that the transfer of control will enable Sprint Communications to become a stronger competitor and allow it to compete with other, larger telecommunications providers in California. Increased competition will benefit consumers and the telecommunications marketplace. Accordingly, we find that the transaction is consistent with the public interest.

### **3. California Environmental Quality Act (CEQA) Compliance**

The application proposes no new construction and thus, there is no possibility that the transaction will have a significant adverse impact on the environment. The proposed transaction does not constitute a "project" under CEQA, California Public Resources Code, Section 21000, *et seq.*

### **4. Request to File Under Seal**

Pursuant to Rule 11.4, applicants filed a motion for leave to file Exhibit E to the application as confidential materials under seal. Applicants represent that the information is competitively sensitive and proprietary and disclosure could place them at an unfair business disadvantage if disclosed. The motion is unopposed. We grant Applicants' motion to treat Exhibit E to the application as confidential.

### **5. Categorization and Need for Hearings**

In ALJ-Resolution 176-3306, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were necessary. Based on the record, the Commission concludes that public hearings are not necessary, and the preliminary determinations in ALJ-Resolution

176-3306 therefore will be altered to change the preliminary hearing determination from “necessary” to “not necessary.”

## **6. Comments on Proposed Decision**

The proposed decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. Comments on the Proposed Decision were received from National Asian American Coalition, Latino Business Chamber of Greater Los Angeles, Ecumenical Center for Black Church Studies, The Greenlining Institute, National Consumer Law Center, The Utility Reform Network, and the Center for Accessible Technology on April 29, 2013. All comments reiterated points considered and rejected in the proposed decision and were accorded no additional weight.

On April 29, 2013 DISH Network Corporation (DISH), a provider of satellite communications services, filed a motion to become a party, a motion to shorten time, and comments on the proposed decision. DISH informed the Commission that it had recently made a competing offer to acquire the Sprint entities and asked that proceedings in this docket be held in abeyance pending Sprint’s response to the offer. The motion stated that the Sprint Board of Directors was considering the DISH offer. We decline to delay this proceeding as requested by DISH. If we approve the present application, and Sprint then accepts the DISH offer, the indirect transfer of control approved in the proposed transaction will not take place. In other words, the DISH offer is not a reason to delay approval of the present application.

**7. Assignment of Proceeding**

Catherine J.K. Sandoval is the assigned Commissioner and Karl J. Bemederfer is the assigned ALJ in this proceeding.

**Findings of Fact**

1. Sprint Communications is a Delaware limited partnership.
2. Sprint Nextel is a publicly-traded Kansas corporation.
3. Starburst II is a newly-formed Delaware corporation. Upon closing of the transaction, Starburst II will be renamed Sprint Corporation.
4. SoftBank is a publicly-traded holding company, organized and existing under the laws of Japan.
5. Upon consummation of the transaction, (a) SoftBank will own approximately 70 percent of the ownership interests of Starburst II; (b) Starburst II will own 100 percent of the shares of Sprint Nextel; and (c) SoftBank will thereby indirectly own approximately 70 percent of the shares of Sprint Nextel.
6. The applicants have demonstrated that they have sufficient financial resources and the technical expertise to operate as a provider of competitive local exchanges services and non-dominant interexchange services.
7. No new construction is being proposed in the application.
8. No complaints alleging fraud or significant wrongdoing are pending against the applicants before this Commission, the Federal Communications Commission, or any other state commission.
9. The Applicants have filed a motion for leave to file under seal confidential materials in Exhibit E.
10. Timely protests to the Application were filed by the National Asian American Coalition, Latino Business Chamber of Greater L.A., the Ecumenical

Center for Black Church Studies, The Center for Accessible Technology, Division of Ratepayer Advocates, The Greenlining Institute, The National Consumer Law Center, and The Utility Reform Network.

**Conclusions of Law**

1. The Commission applies the same requirements to a request for approval of an agreement for the indirect transfer of control of providers of local exchange, intraLATA toll, and interexchange services, as it does to an initial applicant for authority to provide such services.

2. Starburst II meets the Commission's requirements for an acquiring company of an authorized provider of local exchange and interexchange telecommunications services.

3. The indirect transfer of control of Sprint Communications proposed in the application is not adverse to the public interest.

4. It can be seen with certainty that the proposed transfer will not have any adverse impact on the environment.

5. No hearings are necessary.

6. Applicants' motion to file Exhibit E under seal should be granted for two years.

7. The application should be approved.

8. The decision should be effective on the date it is signed.

**O R D E R****IT IS ORDERED** that:

1. Pursuant to Public Utilities Code Section 854 (a), the indirect transfer of control of Sprint Communications Company, LP (U-5112-C) to Starburst II, Inc.,

in accordance with the documents and agreement submitted in conjunction with Application 12-11-022, is authorized.

2. Applicants' request to have the confidential material filed with the application in Exhibit E kept under seal is granted for two years from the effective date of this decision. During that period the information shall not be made accessible or disclosed to anyone other than the Commission staff except on the further order or ruling of the Commission, the assigned Commissioner, the assigned Administrative Law Judge (ALJ) or the ALJ then designated as Law and Motion Judge.

3. The motions of DISH Network Corporation to become a party and to shorten time are denied.

4. The hearing determination is changed to no hearings necessary.

5. Application 12-11-022 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

# **ATTACHMENT A**





**FILED**

11-27-12

04:59 PM

## **SPRINT NEXTEL**

201 Mission Street, 15<sup>th</sup> Floor  
San Francisco, CA 94105

November 27, 2012

**A1211022**

Michael C. Amato  
Director, Communications Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

RE: Indirect Transfer of Control of the Sprint Wireless Entities

Dear Mr. Amato:

This letter is sent to provide the Commission with 30-days advance notice, pursuant to Decision (D.) 95-10-032,<sup>1</sup> that Sprint Nextel Corporation (“Sprint”) and SOFTBANK CORP. (“SoftBank”) (collectively, “the Parties”) are parties to a proposed transaction whereby a wholly owned indirect subsidiary of SoftBank, Starburst II, Inc., a Delaware corporation, will acquire, indirectly, control of the following companies doing business in California as commercial mobile radio service (“CMRS”) providers: Sprint Telephony PCS, L.P. (U 3064 C), Sprint Spectrum L.P. as agent for Wireless Co., L.P. (U 3062 C) *dba* Sprint PCS, Nextel of California, Inc. (U 3066 C), Nextel Boost of California LLC (U 4332 C), and Virgin Mobile USA, L.P. (U 4327 C) (collectively, “the Sprint wireless entities”). Thus, SoftBank will indirectly acquire control of the Sprint wireless entities.

This transaction will take place at the parent holding company level only. Accordingly, the Sprint wireless entities will not be directly affected by the transaction described herein. Although the proposed transaction will result in a change in the ultimate ownership of the Sprint wireless entities’ parent company, no transfer of certificates, assets, or customers will occur at this time, and the transaction will be transparent to the customers of the Sprint wireless entities.

As part of this Notification, the Parties offer the following information:

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<sup>1</sup> *Investigation on the Commission's Own Motion Into Mobile Telephone Service and Wireless Communications*, I.93-12-007 [D.95-10-032] (1995) 62 CPUC2d 3, 1995 Cal. PUC LEXIS 888. This letter is also sent pursuant to Telecommunications Industry Rule 8.6.3 of General Order No. (“GO”) 96-B and Rule 6 of GO 96-B. In D.95-10-032, the Commission recognized that, under 47 U.S.C. § 332(c)(3)(A), it is precluded from restricting market entry by CMRS providers, but nonetheless required CMRS providers to notify the Commission, by letter, of any transfer of control.

***I. Description of the Parties***

The Sprint Wireless Entities. The Sprint wireless entities are wholly-owned indirect subsidiaries of Sprint Nextel Corporation (“Sprint”). Except for Nextel of California, Inc., which is a California corporation and Nextel Boost of California LLC, which is a California limited liability company, the Sprint wireless entities are Delaware limited partnerships. As indicated above, each of the Sprint wireless entities has a Wireless Registration Number from this Commission. The Sprint wireless entities provide CMRS voice and data telecommunications services throughout California. The Sprint wireless entities have their regulatory offices at 201 Mission Street, Suite 1500, San Francisco, CA 94105.

Sprint. Sprint is a publicly traded Kansas corporation with a principal business office at 6200 Sprint Parkway, Overland Park, Kansas 66251.<sup>2</sup> Sprint has no majority owner, although two institutional investors hold a greater than 10 percent ownership interest in Sprint.<sup>3</sup> Sprint is a global communications company that, through its subsidiaries,<sup>4</sup> offers a comprehensive range of wireless and wireline voice and data products and services designed to meet the needs of residential consumers, businesses, government subscribers, and resellers throughout the country and around the globe. Through its subsidiaries, Sprint offers wireless and wireline voice and data services in California and throughout the United States. In addition, Sprint also is one of the country’s largest carriers of Internet traffic and provides Internet connectivity in California.

Starburst II. Starburst II is a newly-formed Delaware corporation that will hold all shares of Sprint upon closing of the proposed transaction. Starburst II’s principal offices are located at 38 Glen Avenue, Newton, Massachusetts 02459. At this time, Starburst II does not provide telecommunications services or hold any telecommunications licenses in its own right. As discussed more fully below, upon consummation of the proposed transaction, approximately 70 percent of Starburst II’s common stock will be held, through a holding company, by SoftBank.

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<sup>2</sup> Various Sprint subsidiaries also hold Federal Communications Commission (“FCC”) licenses and authorizations. Applicants have filed appropriate applications with the FCC for approval of the indirect transfer of those licenses and authorizations.

<sup>3</sup> Recent Schedule 13-G filings with the Securities and Exchange Commission (“SEC”) demonstrate that: (1) Capital Research Global Investors, a U.S. investment advisor company, is the beneficial owner of approximately 10.7 percent of Sprint’s common stock; and (2) Dodge & Cox, a U.S. investment advisor company, is the beneficial owner on behalf of itself and its clients of 10.3 percent of Sprint’s common stock. *See* Capital Research Global Investors, Schedule 13-G (April 9, 2012); Dodge & Cox, Schedule 13-G (June 7, 2012).

<sup>4</sup> Sprint is primarily a holding company. Most of its operations are conducted by its subsidiaries, including, but not limited to, Sprint Communications.

SoftBank. SoftBank is a publicly-traded stock company, organized and existing under the laws of Japan and headquartered in Tokyo, at 1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo 105-7303 Japan. 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.<sup>5</sup> No other individual or entity holds 10 percent or more of SoftBank's equity.<sup>6</sup> SoftBank has been listed on the Tokyo Stock Exchange since 1998. SoftBank's various subsidiaries and affiliates are engaged in a number of information technology and Internet-related businesses in Japan, including mobile communications, broadband infrastructure, fixed-line telecommunications, e-commerce, and web portals. The company also invests in dynamic, innovative Internet-based companies throughout the world.

SoftBank holds no authorizations from the Commission and has no customers in the State of California. 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"). Although JTA holds an international Section 214 authorization from the Federal Communications Commission, JTA provides only limited private line services to its sole customer, SoftBank Telecom, and has no U.S. customers.

## ***II. Description of the Transaction***

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

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<sup>5</sup> Mr. Masayoshi Son's 22.49 percent interest includes both the 21.09 percent of SoftBank shares that he owns directly and an additional 1.40 percent that he owns indirectly.

<sup>6</sup> Based on SoftBank's most recent share register, no single person or entity other than Mr. Son currently owns more than 10 percent of SoftBank's shares. A recent public securities filing in Japan analogous to the Form 13D of the U.S. Securities and Exchange Commission, however, indicates that each of four entities affiliated with The Capital Group Companies, Inc. ("Capital Group") beneficially own interests in SoftBank that are below 10 percent but that aggregate to 10.04 percent of SoftBank's stock. Capital Group is an investment management company headquartered in Los Angeles, California. The above-described informational filing states that these Capital Group affiliates hold SoftBank stock as follows: Capital Research and Management Company (8.34 percent); Capital Guardian Trust Company (1.39 percent); Capital International Limited (0.16 percent); and Capital International Inc. (0.14 percent). (All information on the Capital Group has been taken from sources reasonably considered to be reliable.)

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. Diagrams depicting the pre- and post-transaction corporate organization structures are appended hereto as Exhibit 1. A copy of the Form 8-K filed by Sprint with the Securities and Exchange Commission (“SEC”) on October 15, 2012 (which attaches the Agreement and Plan of Merger and the Bond Purchase Agreement) is attached as Exhibit 2.

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<sup>7</sup>. 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.<sup>8</sup> 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.<sup>9</sup>

After the transaction is consummated, Sprint will be a wholly-owned subsidiary of Starburst II, 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.<sup>10</sup> Starburst II will own 100 percent of the stock of Sprint and its subsidiaries.<sup>11</sup>

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<sup>7</sup> SoftBank also will receive a five year warrant to purchase approximately 55 million shares of Starburst II (representing slightly less than 1 percent of Starburst II’s common stock) with an exercise price of \$5.25 per share.

<sup>8</sup> The shares of Starburst II may be subject to proration if shareholders in the aggregate elect more than the total amount of cash or stock consideration, which would result in the receipt of a mix of cash and stock. Holders of Sprint stock options will receive options in Starburst II.

<sup>9</sup> SoftBank, via Starburst I, will contribute \$4.9 billion to Starburst II in addition to the approximately \$12.1 billion to be paid in the merger to Sprint shareholders. SoftBank already has invested \$3.1 billion in Sprint, in the form of a newly-issued convertible bond. *See* Press Release, Sprint Nextel Corporation, Sprint Announces Closing of \$3.1 Billion Convertible Bond (Oct. 22, 2012), available at <[http://newsroom.sprint.com/article\\_display.cfm?article\\_id=2436&view\\_id=3856](http://newsroom.sprint.com/article_display.cfm?article_id=2436&view_id=3856)>. Subject to all applicable regulatory approvals and subject to the provisions of the bond purchase agreement the bond is convertible into an aggregate of 590,476,190 shares of Sprint common stock. If not earlier converted, principal and any accrued but unpaid interest under the bond will be due and payable on October 15, 2019. *See id.*

<sup>10</sup> Under terms of the Agreement and Plan of Merger, Starburst I will hold 69.642 percent of Starburst II’s common stock, and Sprint’s current shareholders will hold the

This change in ultimate control does not involve a transfer of operating authority, assets, or customers in California 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 the Sprint wireless entities will remain customers of the Sprint wireless entities following the proposed transaction. Accordingly, the proposed transaction will be seamless to customers.

### ***III. Public Interest Statement***

The Parties respectfully submit that the indirect transfer of control described herein will serve the public interest. Because 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 will greatly stimulate competition and innovation, and offers the potential to transform the telecommunications marketplace in California and throughout the United States by creating a more vibrant national rival to compete with today's two predominant providers, Verizon and AT&T.<sup>12</sup>

The transaction will provide Sprint the financial resources needed to accelerate and expand its broadband deployment in California and other parts of the country. As noted above, SoftBank's approximately \$20 billion investment includes a direct infusion of \$8 billion in new capital into Sprint, which will enable Sprint to strengthen its balance sheet and lower its borrowing costs. This stronger financial foundation can enable Sprint to increase its network investment, accelerate its broadband deployment, and improve its wireless coverage. The greater financial resources also can be used by Sprint to offer a wider range of devices and services to California consumers. The transaction thus promises to increase the speed, coverage, reliability, and capabilities of the Sprint's wireline and wireless broadband network and enable Sprint to offer California consumers an even more attractive alternative to the two largest providers.

### ***IV. Contact Information***

For purposes of this notification letter, the contact for the Parties is as follows:

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remaining 30.358 percent of Starburst II's common stock. Upon exercise of the warrant, SoftBank would own approximately 70 percent of Starburst II.

<sup>11</sup> As a result of the transaction, SoftBank, through Starburst I, will hold an indirect ownership interest in approximately 70 percent of the stock of Starburst II, giving SoftBank indirect control over Sprint.

<sup>12</sup> The Parties attach the Public Interest Statement filed at the Federal Communications Commission as Exhibit 3 to this letter.

<b>For the Sprint Wireless Entities</b>	<b>For Starburst II and SoftBank</b>
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<u>With a copy to:</u>  Earl Nicholas Selby Law Offices of Earl Nicholas Selby 530 Lytton Avenue, 2nd Floor Palo Alto, CA 94301 Telephone: (650) 323-0990 Facsimile: (650) 325-9041 Email: selbytelecom@gmail.com	<u>With a copy to:</u>  Michael Pryor J.G. Harrington DOW LOHNES PLLC 1200 New Hampshire Ave., NW Suite 800 Washington, D.C. 20036 (202) 776-2000 MPryor@dowlohn.com JHarrington@dowlohn.com

***V. Conclusion***

Accordingly, the Parties respectfully request that the Commission approve the proposed transaction and the indirect transfer of control of the Sprint wireless entities to SoftBank.

[signature page follows]

Michael C. Amato  
Director, Communications Division  
November 27, 2012  
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Respectfully submitted,

/S/ \_\_\_\_\_  
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Dated: November 28, 2012

Attorneys for the Sprint Wireless Entities



Michael C. Amato  
Director, Communications Division  
November 27, 2012  
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Attachments:

Exhibit 1: Pre- and Post Transaction Corporate Organization Structures

Exhibit 2: Form 8-K filed by Sprint at the SEC on October 15, 2012, which attaches the Agreement and Plan of Merger and the Bond Purchase Agreement

Exhibit 3: Copy of Public Interest Statement filed at the FCC on November 15, 2012

cc (with Attachments):

President Michael R. Peevey  
Commissioner Timothy Alan Simon  
Commissioner Michael P. Florio  
Commissioner Mark J. Ferron  
Commissioner Catherine J.K. Sandoval  
Frank Lindh, General Counsel  
Helen Mickiewicz, Assistant General Counsel  
Joe Como, Acting Director, Division of Ratepayer Advocates  
Chris Witteman, Counsel  
Lester Wong, Advisor  
Lauren Saine, Advisor  
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