



Agenda Date: 6/29/16  
Agenda Item: IVD

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
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[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

TELECOMMUNICATIONS

IN THE MATTER OF SPRINT COMMUNICATIONS )  
COMPANY L.P.'S NOTIFICATION OF INTRA- )  
COMPANY CHANGE AT HOLDING COMPANY LEVEL )  
 )  
 ) DOCKET NO. TM16050417

**Parties of Record:**

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

**BY THE BOARD:**

On April 18, 2016, Sprint Communications Company L.P. ("Sprint") submitted a verified letter ("Notification") to the Board of Public Utilities ("Board") detailing a proposed intra-company change, at the holding company level only, that will result in the insertion of a wholly owned subsidiary into the vertical ownership chain between SoftBank Group Corp. ("SoftBank"), Sprint's ultimate parent company, and the holding companies in which its Sprint Corporation ("Sprint Corp.") shares are currently held (the "Transaction"). Petitioner states that the Transaction will not result in any change in control of Sprint, that there will be no transfer of certificates, assets or customers as a result of the Transaction, and that the Transaction will be transparent to Sprint customers.

**BACKGROUND**

SoftBank was previously known as SOFTBANK CORP. prior to a name change. Softbank is a Japanese *kabushiki kaisha* (corporation) and holding company that is publicly traded on the Tokyo Stock Exchange. SoftBank's subsidiaries and affiliates are engaged in a number of information technology and Internet-related businesses, including mobile communications, broadband infrastructure, fixed-line telecommunications, e-commerce and web portals. In July 2013, following approval by regulatory authorities, including this Board,<sup>1</sup> SoftBank acquired an approximately 78% indirect interest in the entity that is now Sprint Corp. As of December 31, 2015, SoftBank held an approximately 83.4% indirect interest in Sprint Corp. through two wholly owned subsidiaries: Starburst I, Inc. ("Starburst") and Galaxy Investment Holdings, Inc. ("Galaxy"). Specifically, SoftBank held a 77.5% interest in Sprint Corp. through Starburst, and a 5.9% interest through Galaxy. Softbank holds no authorizations from the Board, has no customers in the state of New Jersey and does not provide regulated telecommunications services or telephone access line service in New Jersey.

<sup>1</sup> The Board approved the transaction by Order dated March 20, 2013 in Docket No. TM12111044.

SoftBank Group International GK is a Japanese *godo kaisha* (limited liability company). It was previously a dormant investment holding company, and it is a wholly owned direct subsidiary of SoftBank. SoftBank Group International GK is also authorized to conduct other business, including: information provision services; information processing services; acquiring, holding and managing securities; advertising agency services; and any business related to or incidental to the foregoing. SoftBank Group International GK holds no authorizations from the Board, has no customers in the state of New Jersey, and does not provide regulated telecommunications services or telephone access line service in New Jersey.

Sprint Corp. is a publicly traded Delaware corporation and global communications company that, through its subsidiaries, offers a comprehensive range of wireless and wireline voice and data products and services to residential, business, government, and reseller consumers throughout the United States and around the world. Sprint Corp. offers wireless and/or wireline voice and data services in all fifty states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Sprint Corp. is primarily a holding company, with most operations conducted by its subsidiaries, including, but not limited to, Sprint. Sprint Corp. holds no authorizations from the Board, has no customers in the state of New Jersey, and does not provide regulated telecommunications services or telephone access line service in New Jersey.

Sprint is a Delaware limited partnership with a principal business office in Overland Park, Kansas. Sprint is an indirect wholly owned subsidiary of Sprint Corp. Sprint is authorized to provide service as a Competitive Local Exchange Carrier ("CLEC") and an Interexchange Carrier ("IXC") in New Jersey.<sup>2</sup> However, in 2015, Sprint discontinued the provision of consumer wireline long-distance services and features in New Jersey, following submission of the required notices to the Board and customers pursuant to Board rules.

## **DISCUSSION**

As described in the Notification, on March 7, 2016, SoftBank's Board of Directors resolved to reorganize SoftBank's intermediate and holding companies. As part of this internal restructuring, SoftBank intends to insert a wholly owned subsidiary – SoftBank Group International GK – into the vertical ownership chain between SoftBank and the holding companies (i.e., Starburst and Galaxy) in which its Sprint Corp. shares are currently held. Specifically, Softbank plans to transfer 100% of Galaxy shares and approximately 70.4% of SoftBank's interest in Starburst to SoftBank Group International GK.

This proposed Transaction does not involve a change of operating authority, assets, or customers, or changes to the services provided, in New Jersey or elsewhere. Sprint will continue to hold all of the authorizations that it holds prior to the Transaction. The current customers of Sprint will remain customers of Sprint following the Transaction. Accordingly, the Transaction will be transparent to customers.

The Notification submits that prior Board approval of this Transaction is not required under N.J.S.A. 48:2-51.1 or any other state statute or regulation because: (1) the Transaction occurs above the holding company level rather than at the "public utility" level; (2) there is no resulting change in control of Sprint because SoftBank will be the ultimate parent company in control after the Transaction, just as it is now, with the only change being the insertion of SoftBank

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<sup>2</sup> The Board approved Sprint to provide intrastate interexchange service statewide in Docket No. TM8603294, to provide intrastate intraLATA toll service statewide in Docket No. TE92111047, and to provide CLEC services statewide in Docket No. TE96060479.

Group International GK, a wholly owned intermediary subsidiary; and (3) the New Jersey Legislature in P.L. 2008, c. 87 exempted financial transactions of parent corporations of telecommunications companies from Board review and approval.

N.J.S.A. 48:2-51.1 provides as follows: "...no person shall acquire or seek to acquire control of a public utility directly or indirectly ... without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void." That provision provides, with respect to the review by the Board: "In considering a request for approval of an acquisition of control, the board shall evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates." The current merger standard is the positive benefits test. As per N.J.A.C. 14:1-5.14(c), positive benefits must result from the transaction in order for the Board to approve a merger. Although Sprint asserts that this statute does not apply to this Transaction, the Board will conduct its analysis based upon the framework described above.

**No Adverse Impact:**

**Impact on Competition:**

The Transaction is not expected to adversely impact competition because there will be no changes to SoftBank's stock or to the ultimate ownership of SoftBank's voting or equity interests in Sprint Corp. as a result of the proposed transaction. Sprint Corp.'s direct owners (Starburst and Galaxy) will remain the same and their ownership percentages of Sprint Corp. will not change. Similarly, the owners of New Jersey's regulated entity, Sprint Communications Company, L.P., will not change.

**Impact on Rates:**

The Transaction will not have any negative impact on rates or the provision of services to Sprint customers, which will continue to be provided pursuant to current schedules on file with the Board.

**Impact on Employees:**

The Transaction will not negatively affect Sprint's employees. Sprint does not have any employees in New Jersey.

**Impact on Service:**

The Transaction will not have any negative impact on the provision of services to Sprint customers, who will continue to receive the same services over the same facilities following the reorganization.

**Positive Benefits:**

Furthermore, the Transaction is expected to serve the public interest, including by providing positive benefits to Sprint's customers and the State of New Jersey. The purpose of SoftBank's proposed reorganization is to separate SoftBank's global and domestic operations, which will enable SoftBank to provide greater transparency to its shareholders in reporting the performance of its business operations in Japan and its business operations abroad. This, in

turn, will serve the public interest by increasing efficiency in corporate operations and improving SoftBank's value. As SoftBank's subsidiary, Sprint will ultimately benefit from the increased efficiency and improved transparency effected by the vertical ownership chain restructuring. As a result of reorganizing in a way that improves its value, SoftBank will be better positioned to manage and invest in Sprint's operations over the long term, which will enhance its competitiveness.

The Division of Rate Counsel has reviewed this matter and by letter dated May 19, 2016 recommends Board approval of the petition.

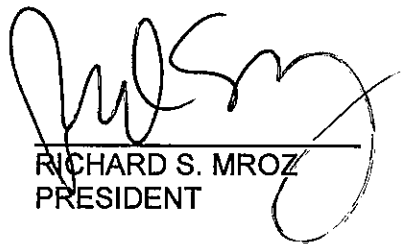
**FINDINGS AND CONCLUSIONS**

Based on the Board's review of the record in this matter, and the review of N.J.S.A. 48:2.51.1, the Board **HEREBY FINDS** that the Transaction will not create any adverse impacts and the Board is satisfied that positive benefits will flow to customers based on the record presented. As such, the Board **FINDS** the Transaction in compliance with relevant law and regulation and therefore **HEREBY APPROVES** the Transaction as described in the Notification.

This Order shall be effective July 9, 2016.

DATED: 6/29/16

BOARD OF PUBLIC UTILITIES  
BY:

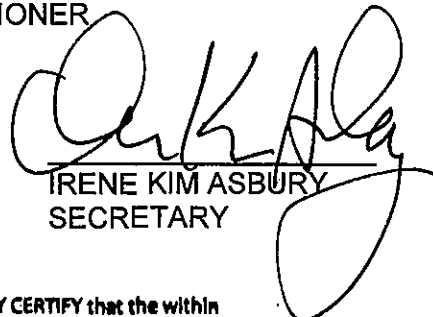
  
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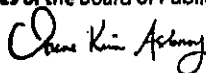
  
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ATTEST:   
IRENE KIM ASBURY  
SECRETARY

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



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INTRA-COMPANY CHANGE AT HOLDING COMPANY LEVEL  
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