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January 30, 1997

Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

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RE: Joint Application of AT&T Corp. and Teleport Communications Group Inc.

Dear Ms. Bayo:

AT&T Corp. ("AT&T") and Teleport Communications Group Inc. ("TCG") (collectively "Applicants"), by their undersigned counsel and pursuant to section 364.33, Florida Statutes, hereby request authority to transfer control of TCG to AT&T. TCG is the holding company parent of TCG SOUTH FLORIDA, a non-dominant carrier authorized by the Commission to provide competitive local exchange services (including switched and dedicated access services and intralata toll services) and intrastate interexchange telecommunications services within the State of Florida. AT&T is the parent company of AT&T Communications of the Southern States, Inc. ("AT&T FLORIDA"), which is a non-dominant carrier authorized to provide competitive local exchange and interexchange telecommunications services within the State of Florida. Neither AT&T nor any of its affiliates are currently affiliated with TCG.

As described below, the proposed transfer of control will be accomplished through a transaction whereby a wholly owned subsidiary of AT&T, TA Merger Corp., will merge with and into TCG, at which time TCG will become a wholly owned subsidiary of AT&T. Following completion of the proposed transaction, the Florida operating subsidiaries of AT&T and TCG will offer a broad array of competitive local exchange and interexchange telecommunications services principally under the AT&T brand. Attached hereto as Exhibit A is a chart that illustrates the corporate structure of the parties prior to and immediately following the proposed transaction. A description of the parties and the transaction are provided below.

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Now is a critical time in the development of competition in the market for local exchange services, and Applicants believe that the public interest benefits resulting from the merger of AT&T and TCG, described more fully in Part III below, are best served if AT&T and TCG are permitted to integrate their businesses quickly. Accordingly, Applicants respectfully request that the Commission act on this Application on or before April 1, 1998. In support of this Application, Applicants submit the following information:

## THE PARTIES

### Teleport Communications Group Inc. ("TCG")

TCG is a Delaware holding company with headquarters at One Teleport Drive, Staten Island, New York 10311. TCG was the first and remains the largest provider of competitive local exchange services in the United States. TCG is the parent, directly or indirectly, of a number of nondominant carriers that operate facilities-based local exchange networks in 57 markets in 31 states, including Florida. TCG SOUTH FLORIDA is authorized to provide local exchange and intrastate interexchange telecommunications pursuant to certification granted by this Commission in Order No. PSC-95-0812-FOF-TI, issued on July 5, 1995 in Docket No. 941197-TI (interexchange authority) and in Order No. PSC-95-1296-FOF-TX, issued on October 19, 1995 in Docket No. 950755-TX (local exchange authority). TCG's operating subsidiaries also provide interstate and international telecommunications services as nondominant common carriers pursuant to authority of the Federal Communications Commission ("FCC"). Additionally, TCG controls, through a wholly owned subsidiary, fixed microwave licenses in over 200 markets nationally, including portions of Florida, that provide an alternative, facilities-based method to reach customers.

Information concerning the legal, technical, managerial, and financial qualifications of TCG and TCG SOUTH FLORIDA was provided with its application for certification, filed with this Commission in Docket No. 941197-TI and Docket No. 950755-TX. That information, which this Commission considered in determining that TCG and TCG SOUTH FLORIDA possessed the legal, technical and financial qualifications to offer telecommunications services to the public in this jurisdiction, is therefore already a matter of public record at the Commission. Applicants request that this information be incorporated by reference herein.

### AT&T Corp.

AT&T Corp. is a New York corporation with headquarters at 32 Avenue of the Americas, New York, New York 10013-2412. AT&T, on its own and through a number of subsidiaries, is authorized to provide domestic and international telecommunications services throughout the United States. In Florida, AT&T's operating subsidiary -- AT&T FLORIDA -- is authorized to provide local exchange and interexchange

telecommunications services pursuant to certifications granted by this Commission in Order No. 12788, issued in Docket No. 830489-TI on December 17, 1983 (interexchange authority); in Order No. PSC-95-0619-FOF-TA, issued in Docket No. 950416-TA on May 22, 1995; (alternative access vendor authority); and in Order No. PSC-96-0615-FOF-TX, issued in Docket No. 960181-TX on May 7, 1996 (alternative local exchange telecommunications authority). AT&T also is authorized to provide pay telephone service pursuant to certification granted by this Commission

Information concerning the legal, technical, managerial, and financial qualifications of AT&T and AT&T FLORIDA was provided with its applications for certification, filed with this Commission in the above-referenced dockets. That information, which this Commission considered in determining that AT&T and AT&T FLORIDA possessed the legal, technical and financial qualifications to offer telecommunications services to the public in this state, is therefore already a matter of public record at the Commission. Applicants request that this information be incorporated by reference herein. This information demonstrates that AT&T, as the country's largest telecommunications company, clearly has the requisite technical, managerial, and financial qualifications to acquire control of TCG

#### **REQUEST FOR APPROVAL OF AT&T'S ACQUISITION OF TCG**

TCG and AT&T have executed an Agreement and Plan of Merger ("Agreement"), which has been approved by the Boards of Directors of both companies. The proposed transaction is structured as a merger in which TA Merger Corp., a newly-formed Delaware subsidiary of AT&T created specifically for the purpose of consummating the transaction, will merge with and into TCG, with TCG being the surviving entity and a wholly owned subsidiary of AT&T. Immediately following the merger, AT&T expects that TCG will begin offering services principally under the AT&T brand

At the time of the merger, shareholders of TCG will receive, in exchange for each issued and outstanding share of TCG, 0.943 shares of AT&T common stock, as specified in the Agreement.

The proposed merger will result in a change in the ultimate owners of TCG but will not involve any immediate change in the manner in which TCG SOUTH FLORIDA provides service to its Florida customers. The services currently being provided by TCG SOUTH FLORIDA will continue to be offered pursuant to tariffs currently on file with this Commission. Moreover, following the merger, TCG SOUTH FLORIDA will continue to be led by a team of well-qualified telecommunications managers, including existing TCG personnel. Therefore, the merger will have no immediate impact on TCG SOUTH FLORIDA's customers in terms of the services that they receive, and AT&T and TCG SOUTH FLORIDA will honor all commitments to TCG's existing customers. After the proposed transaction, AT&T and TCG SOUTH FLORIDA will continue to offer their local exchange service customers a choice of long distance carriers in

compliance with their obligations under Section 251(b)(3) of the Telecommunications Reform Act of 1996 (the "1996 Telecommunications Act").

**AT&T intends that TCG will form the cornerstone of AT&T's facilities-based local exchange service offerings, and plans over time to integrate services being provided by TCG with other AT&T local exchange services such as AT&T Digital Link Service, which is currently being offered Florida. These services will be marketed principally under the AT&T brand name as part of a broad range of telecommunications services, including long distance and enhanced services.**

**On December 22, 1997, Teleport Communications Group Inc. and ACC Corp. ("ACC") filed an application with the Commission seeking its approval of TCG's proposed acquisition of ACC. The Commission approved that application in Docket No. 971644-TP at its January 20, 1998, agenda conference. The ACC/TCG Merger Agreement is independent of the subsequent AT&T/TCG Agreement, and the ACC/TCG transaction can, and is expected to, proceed to closing prior to the eventual closing of the AT&T/TCG transaction. The ACC/TCG merger has not, however, taken place at this time. Accordingly, TCG and AT&T request that the Commission's approval of the acquisition of TCG by AT&T incorporate and include permission for AT&T's indirect acquisition of ACC through its acquisition of TCG.**

#### **PUBLIC INTEREST CONSIDERATIONS**

**AT&T's acquisition of TCG will clearly and demonstrably benefit the public interest in increased competition in the market for telecommunications services in Florida.**

**While AT&T is a vigorous and effective non-dominant competitor in the long distance marketplace, it has thus far been highly dependent on Incumbent Local Exchange Carrier ("ILEC") systems and facilities in its efforts to enter the market for local exchange services and bring the benefits of vigorous competition to that market. Unfortunately, since the passage of the 1996 Telecommunications Act, AT&T has experienced a number of technical, economic and practical difficulties in entering the market for competitive local exchange services because it was heavily reliant on the use of ILEC systems and facilities. Accordingly, it is critical to AT&T's ability to provide robust competitive local exchange services that AT&T have alternative local infrastructure available to it and within its control and management.**

**Although it is the nation's largest competitive local exchange carrier, TCG is today dwarfed -- in revenues and available capital -- by the formidable ILEC competitors that it faces in its local markets. Those carriers today continue to control the market for local exchange services, nearly two years after the passage of the 1996 Telecommunications Act, and over ten years since TCG entered the local telecommunications market.**

AT&T's acquisition of TCG holds great promise for the development of facilities-based local competition by taking full advantage of the complementary aspects of AT&T's long distance and wireless networks and marketing expertise and TCG's local fiber optic and broadband wireless capabilities and rights-of-way. The merger signifies AT&T's commitment to investment in local facilities, and thus facilitates AT&T's goal of bringing competition and choice to local markets.

In the near term, AT&T expects that the acquisition of TCG will accelerate and expand AT&T's provision of facilities-based local exchange service, primarily to business customers and to multiple dwelling units in high density markets currently served by TCG. AT&T also expects that the acquisition of TCG will enhance AT&T's ability to provide end-to-end service to broader classes of customers by enabling AT&T to tap the experience and expertise of TCG's management team to lead AT&T's overall local entry strategy, for business and residence customers.

Consummation of the proposed transaction will therefore well serve the public interest. It will serve to promote competition among providers of local exchange services, by combining the financial resources and complementary managerial skills, network facilities, and market capabilities of TCG and AT&T to enhance their collective ability to provide telecommunications services to the customers in Florida. 1

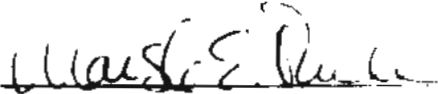
#### CONCLUSION

For the reasons stated herein, AT&T and TCG respectfully request that the Commission approve this Application to permit them to consummate the proposed transfer of control and grant all other relief as necessary and appropriate to effectuate the transaction described herein. AT&T and TCG respectfully request that the Commission grant its approval on or before April 1, 1998.

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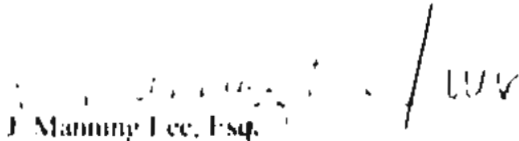
1 AT&T's indirect acquisition of ACC's long distance operations through AT&T's merger with TCG will be an incidental aspect of the proposed transaction. This will have no adverse impact on the long distance market because that market, unlike the market for local services, is characterized by robust competition.

Respectfully submitted,



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# Proposed Transfer of Control of Teleport Communications Group Inc. to AT&T

