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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

Docket No.

In the Matter of the Joint Application of SBC Communications Inc., and AT&T Corp. (on behalf of AT&T Communications of the Mountain States, Inc., and TCG Colorado) for Approval of Merger

JOINT APPLICATION

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DISCLOSURE NOTICE

In connection with the proposed transaction, SBC intends to file a registration statement, including a proxy statement of AT&T Corp., and other materials with the Securities and Exchange Commission (the SEC). Investors are urged to read the registration statement and other materials when they are available because they contain important information. Investors will be able to obtain free copies of the registration statement and proxy statement, when they become available, as well as other filings containing information about SBC and AT&T Corp., without charge, at the SEC's Internet site (www.sec.gov). These documents may also be obtained for free from SBC's Investor Relations web site (www.sbc.com/investor_relations) or by directing a request to SBC Communications Inc., Stockholder Services, 175 E. Houston, San Antonio, Texas 78258. Free copies of AT&T Corp.'s filings may be accessed and downloaded for free at the AT&T Relations Web Site (www.att.com/ir/sec) or by directing a request to AT&T Corp., Investor Relations, One AT&T Way, Bedminster, New Jersey 07921.

SBC, AT&T Corp. and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from AT&T shareholders in respect of the proposed transaction. Information regarding SBC's directors and executive officers is available in SBC's proxy statement for its 2004 annual meeting of stockholders, dated March 11, 2004, and information regarding AT&T Corp.'s directors and executive officers is available in AT&T Corp.'s proxy statement for its 2004 annual meeting of shareholders, dated March 25, 2004. Additional information regarding the interests of such potential participants will be included in the registration and proxy statement and the other relevant documents filed with the SEC when they become available.

Cautionary Language Concerning Forward-Looking Statements

Certain matters discussed in this statement, including the appendices attached, are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, without limitation, the information concerning possible or assumed future revenues and results of operations of SBC and AT&T, projected benefits of the proposed SBC/AT&T merger and possible or assumed developments in the telecommunications industry. Readers are cautioned that the following important factors, in addition to those discussed in this statement and elsewhere in the proxy statement/prospectus to be filed by SBC with the Securities and Exchange Commission, and in the documents incorporated by reference in such proxy statement/prospectus, could affect the future results of SBC and AT&T or the prospects for the merger: (1) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (2) the failure of AT&T shareholders to approve the merger; (3) the risks that the businesses of SBC and AT&T will not be integrated successfully; (4) the risks that the cost savings and any other synergies from the merger may not be fully realized or may take longer to realize than expected; (5) disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers; (6) competition and its effect on pricing, costs, spending, third-party relationships and revenues; (7) the risk that Cingular LLC could fail to achieve, in the amount and within the timeframe expected, the synergies and other benefits expected from its acquisition of AT&T Wireless; (8) final outcomes of various state and federal regulatory proceedings and changes in existing state, federal or foreign laws and regulations and/or enactment of additional regulatory laws and regulations; (9) risks inherent in international operations, including exposure to fluctuations in foreign currency exchange rates and political risk; (10) the impact of new technologies; (11) changes in general economic and market conditions; and (12) changes in the regulatory environment in which SBC and AT&T operate.

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JOINT APPLICATION

1. SBC Communications Inc. (SBC) and AT&T Corp. (AT&T) on behalf of AT&T Communications of the Mountain States, Inc. (AT&T-MS), and TCG Colorado (TCG), the Joint Applicants in this proceeding, hereby respectfully request Commission approval, pursuant to 4 CCR § 723-25-8, of the merger of SBC and AT&T, in accordance with the Agreement and Plan of Merger jointly entered into by SBC and AT&T on January 30, 2005 (Exhibit A hereto).

2. SBC is a Delaware Corporation with its principal place of business in San Antonio, Texas. SBC is the holding company parent of SBC Long Distance, SBC Long Distance East, and SBC Telecom, Inc., which are authorized to provide local exchange telecommunications services (among other services, as is set forth more fully below) within the State of Colorado. There will be no change in the assets, ownership, or control of SBC Long Distance, SBC Long Distance East, or SBC Telecom as a result of the merger. AT&T is a New York Corporation with its principal place of business in Bedminster, New Jersey. AT&T is the holding company parent of AT&T-MS and TCG, which are authorized to provide local exchange telecommunications services (among other services, as is set forth more fully below) within the State of Colorado. As a result of the merger, there will be no change in the assets or ownership of AT&T-MS, TCG, or any other AT&T-controlled entity certificated by this Commission. Rather, the merger will effect an indirect change in the control of those certificated AT&T subsidiaries, as upon consummation of the merger, SBC will become the corporate parent of AT&T. Neither SBC Long Distance, SBC Long Distance East, SBC Telecom, AT&T-MS, nor TCG is an incumbent local exchange carrier, as that term is defined in the federal Communications Act of 1934, as amended.

INTRODUCTION

3. The combination of the national and international operations of SBC and AT&T will serve the public interest. This proposed transaction responds to profound technological and marketplace changes by bringing together two U.S. companies with complementary strengths so that they might serve their customers better. Together, SBC and AT&T will be poised to deliver better, innovative products and services to consumers and business customers, and to accelerate the deployment of advanced, next-generation Internet Protocol (IP) networks and services, more so than either company could provide on a stand-alone basis. The combined organization will be a more innovative and financially stronger company and, thus, better able to meet the needs of all its customers.

Significant Public Interest Benefits Will Flow From the Merger

4. Significant public interest benefits will flow to both residential and business customers by combining two companies with complementary strengths. SBC brings to the merger its financial strength and a range of voice, data, broadband, and related services that it provides to residential, business, and wholesale customers, primarily on a local and regional basis. AT&T brings a global presence in 50 countries, national and global IP-based networks, a portfolio of data and IP services, hosting, security and professional services, technology leadership through AT&T Labs, skilled networking capabilities, and a base of government and large business customers.

5. The merger will result in increased innovation and prompt the development of services that would otherwise not exist. The merger will increase incentives for investment in innovation and facilitate a wider and swifter diffusion of the innovation that emerges from AT&T Labs, which is one of the world's leading corporate research and development organizations. As a result, residential and small business customers should ultimately enjoy

capabilities that, but for this merger, would likely be available only to the largest business and government customers.

6. The merged organization will offer a broader array of services to a broader spectrum of customers than either company would on its own. As a result of the combination of the SBC and AT&T networks, transport will be more efficient, reliability will increase, and the quality of service will be higher on the combined organization's network.

7. This transaction will benefit customers throughout the country and internationally. The merger will create a vigorous U.S.-based carrier with global reach by combining AT&T's network that spans 50 countries and AT&T Labs' technological innovation with SBC's financial strength and local exchange, broadband, and wireless solutions.

Response to Technological and Marketplace Changes

8. The Telecommunications Act of 1996 (the 1996 Act) removed barriers to competitive entry in local exchange and long distance services. No longer are providers restricted to specific lines of business or geographic territories, and the result has been lower prices, expanded output, and a wide diversity of suppliers of a multitude of products and services.

9. At the same time, the industry has experienced unprecedented innovation. New technologies have advanced at a rapid rate to challenge and displace traditional communications services. Wireline and wireless networks are far more robust, faster, and can carry greater bandwidth at all levels than they could just a few years ago. The growth of national wireless networks and the development of new wireless technologies have provided alternatives for consumers of voice and data services. The shift from dial-up to broadband Internet access—first via cable modems, then through massive investment in DSL—has unleashed a dramatic

expansion of the content and service available to tens of millions of Americans. The widespread adoption of broadband connections to the Internet has led to Voice over Internet Protocol (VoIP). Cable operators and others are rapidly exploiting this technology to compete more aggressively for voice services, including in packages with video and high-speed Internet access. Comcast, for example, has committed to make VoIP available to more than 21 million customers by 2006.(1)

10. These developments underscore why the merger of SBC and AT&T provides such an ideal opportunity at this juncture, when intermodal competitors (wireless and cable in particular) are challenging the traditional networks. The existence of separate local and long distance companies no longer benefits consumers. But neither SBC nor AT&T standing alone has the assets and expertise necessary to assemble a true nationwide end-to-end broadband network that is capable of serving all segments of the communications market.

11. Indeed, the continuing entry of new competitors and the introduction of new technologies has pushed carriers to accelerate investment in their networks, not only to support the voice and data services of the 1990s, but also to introduce and deploy widely the full suite of IP-platform voice, data, and video services of the packetized age.

12. A decade of technological changes also has led to financial reverses and a shakeout in the industry. Business failures, retrenchments, and product shifts have led to the elimination of hundreds of thousands of jobs, and the loss of more than \$2 trillion in market value. And since the dot-com and tech meltdowns, the capital markets have recognized the increased business risks inherent in the communications industry, which has constrained access to capital while increasing its costs.

(1) Press Release, Comcast Investor Relations (Jan. 10, 2005), *available* at <http://www.cmsk.com/phoenix.zhtml?c=I18591&p=irol-newsArticle&ID=660894&highlight=>.

13. This transaction responds to these developments by bringing together SBC and AT&T to create a more competitive and more enduring global competitor than either company would be alone. The combined organization will be capable of delivering the advanced network technologies necessary to offer integrated, innovative, high-quality and competitively priced communications and information services to meet the evolving needs of customers worldwide.

Competition Will not be Impaired

14. In addition to the merger's other public interest benefits, it will not reduce competition. In the current IP world, voice and data services are both merely the transmission of bits over the same network. These IP-based services are rapidly becoming available to mass market and business customers. Likewise, with wireless communications becoming increasingly widespread, assessment of the effect of the merger on competition cannot ignore the very substantial and growing substitution of wireless for wireline service by both consumers and businesses. Indeed, in 2005, for the first time, there will be more wireless than wireline connections in the United States.⁽²⁾ Substitution of wireless minutes for wireline usage has been growing at a rapid pace, and an increasing number of consumers are pulling their second lines or even completely cutting the cord. The introduction of 3G wireless services will intensify this trend. In an environment where wireline carriers compete with cable operators, other VoIP providers, wireless carriers, and others, this transaction will not reduce competition. Rather, by pairing the complementary strengths of the two companies, it will enhance competition and benefit all types of customers.

15. That same conclusion follows when focusing on the wireline segment of the market. The operations of the two companies are largely complementary. AT&T is focused on

(2) Frost & Sullivan, U.S. Communication Services Market Overview and Future Outlook, at 89 (2004).

national and global enterprise customers with sophisticated needs, while SBC focuses on residential consumers and smaller and regional businesses whose operations are primarily inside SBC's 13-state region. Moreover, in each segment in which the companies compete, there are numerous other competitors and no likelihood of anti-competitive effects.

16. The merger will not diminish competition for mass market customers. Well before the merger, AT&T made a unilateral decision to discontinue actively marketing local and long distance service to residential and small business customers. As evidenced by AT&T's pre-merger activities, it is clear that AT&T's decision is irreversible. AT&T has already dismantled infrastructure required to recruit new mass market customers by shutting call centers, dismissing marketing personnel, and terminating vendor contracts.

17. Not only will AT&T no longer be an active competitor for mass market customers, but increasingly the competition for such customers is coming from cable operators offering VoIP and other IP-based services, other VoIP providers, and wireless carriers, in addition to traditional competitors such as ILECs and CLECs. For all these reasons, the merger will have no adverse effect on mass market competition.

18. Nor will the merger have an adverse effect on the highly competitive business segments of the market. These segments of the communications industry have long been vigorously competitive, with numerous competitors and sophisticated customers. *In re Motion of AT&T Corp. To Be Redefined as a Non-Dominant Carrier, Order, 11 FCC Rcd. 3271, 3306, ¶ 65, 3308 ¶ (71 (1995) (AT&T Non-Dominance Order)*. The services provided are often differentiated from one customer to the next; and many competitors with different strategies and competitive strengths are competing for these customers.

19. As discussed above, SBC's services and those offered by AT&T are largely complementary. SBC and AT&T typically focus on different services to enterprises and typically succeed with different types of business customers. SBC's strength is in the sale of services to small and medium-sized businesses with a high percentage of their facilities in SBC's 13 in-region states. AT&T's strength is in the sale of services nationwide and globally to large multi-location businesses. As a combined organization, they will be able to offer a portfolio of services suitable for any customer. The merger will allow the combined organization to increase and accelerate investment in its network and to make new innovative services available to mid-sized and smaller businesses, to a greater extent than either SBC or AT&T could do on a stand-alone basis.

No Effect on Commission Jurisdiction

20. Following the merger, as described more completely below in Section II, AT&T will become a wholly-owned first tier subsidiary of SBC. The merger will be transparent and seamless for the customers of the operating subsidiaries of AT&T in Colorado. The Commission will retain the same regulatory authority that it possesses today over the AT&T subsidiaries that are certificated by this Commission and subject to its regulatory authority.

* * *

21. In sum, the merger of SBC and AT&T is in the public interest. The merger will permit the Applicants' operating subsidiaries to continue providing existing services at just and reasonable rates, will augment competitive markets nationwide, and will not adversely affect this Commission's authority to regulate the AT&T (and SBC) operating subsidiaries subject to the Commission's jurisdiction. Indeed, the merger will enhance the abilities of those operating subsidiaries to offer a broad array of existing and emerging telecommunications and information

services by bringing together two industry leaders with complementary strengths and by capitalizing on the synergies related to the companies' shared values of customer service, innovation, and reliability.

22. Accordingly, the Applicants respectfully request the Commission's prompt approval pursuant to 4 Colorado Code of Regulations § 723-25-8. The Applicants offer the following additional information in support of this Application:

I. THE PARTIES

A. SBC Communications Inc. (SBC)

23. SBC Communications Inc. is a Delaware corporation with headquarters at 175 East Houston, San Antonio, Texas 78205-2233. SBC is a voice, data, and Internet services provider for residential, business, and government customers, mostly in a 13-state region. SBC serves 52.4 million access lines and has 5.1 million DSL lines in service. SBC holds a 60 percent economic and 50 percent voting interest in Cingular Wireless, which serves 49.1 million wireless customers. Through alliances with GSM-based providers, Cingular offers coverage in 170 countries worldwide. SBC is also making a \$4 billion investment to bring next-generation Internet Protocol-based (IP-based) services to 18 million households within 3 years. A more detailed description of SBC's business is provided in Exhibit B hereto. (3)

(3) SBC is the holding company parent of three subsidiaries that are authorized to provide competitive telecommunications services in the State of Colorado but that are not involved in the proposed merger transaction. The first, SBC Telecom, Inc. is a Delaware corporation headquartered at 1010 N. St. Mary's Street, Room 14-J, San Antonio, TX 78215. In Decision Number C00-158, the Commission granted SBC Telecom a Certificate of Public Convenience and Necessity (CPCN) to provide local exchange telecommunication services on a facilities-based and resale basis in the greater Denver local calling area, which the Commission expanded to include the Colorado Springs, Monument, Fort Collins, Loveland and Pueblo exchange areas in Decision Number C00-632, and expanded again in Decision Number C03-0948 to allow services on a statewide basis. In Decision Number C00-722, the Commission also granted SBC Telecom a CPCN to provide emerging competitive telecommunications services throughout the

B. AT&T Corp. (AT&T)

24. AT&T is a New York holding corporation with headquarters at One AT&T Way, Bedminster, New Jersey 07921. AT&T provides domestic and international voice and data communications services to residential, business, and government customers in the United States and around the world. AT&T operates sophisticated global communications networks that support IP as well as other data and voice traffic. AT&T's network operations are supported by AT&T Laboratories, a world-leading source of research and development. A more detailed description of AT&T's business is provided in Exhibit C hereto.

25. AT&T is the holding company parent of AT&T Communications of the Mountain States, Inc., a Colorado corporation headquartered at One AT&T Way, Bedminster, NJ 07921.

state of Colorado including: advanced features, premium services, intraLATA and interLATA toll, switched access, and jurisdictional private line services. That decision also granted SBC Telecom specific forms of relaxed regulatory treatment for its emerging competitive telecommunications services.

The second subsidiary, SBC Long Distance, is a Delaware corporation headquartered at 5850 W. Las Positas Boulevard, Pleasanton, CA 94588. In February 2004, in Decision Number C04-0133, the Commission granted SBC Long Distance a CPCN to provide local exchange telecommunications services throughout the state of Colorado and a Letter of Registration to provide emerging telecommunications services (*viz.*, advanced features and switched access) throughout the state. In July 1997, in Decision Number C97-675, the Commission granted SBC Long Distance a Letter of Registration to provide intrastate non-optional operator services throughout the state of Colorado. Subsequently, the Commission granted SBC Long Distance authority as a toll reseller and private line service provider

The third subsidiary is SNET America, Inc. d/b/a/ SBC Long Distance East, which is a Delaware corporation headquartered at 310 Orange St., New Haven, Connecticut 06510. SNET America, Inc. is a Toll Reseller as that term is defined at Colo. Rev. Stat. § 40-15-102(30). SNET filed a Colorado Toll Reseller Registration Form with the Commission on or about August 4, 1998. On April 5, 2004, SNET updated its Registration to notify the Commission that it will be doing business in Colorado as SBC Long Distance East.

On November 9, 2004, SBC Telecom, Inc. and SBC Long Distance filed a Joint Application seeking Commission approval of the transfer of SBC Telecom's CPCN and associated tariff filings, interconnection agreements, and customer agreements to SBC Long Distance. The Commission approved that application on December 27, 2004 (Docket No. 04A-583T, Decision No. C04-1520). The merger of SBC and AT&T does not affect that separate transfer.

AT&T-MS is a wholly-owned subsidiary of AT&T and is authorized to provide local exchange telecommunications services (resale and/or facilities-based) pursuant to a Certificate Of Public Convenience And Necessity granted by this Commission on July 26, 1996, and amended on August 28, 1996 and October 16, 1996, in Case Nos. 96A-080T and 96A-081T, Decision Nos. C96-929 and C96-1099. AT&T-MS also is authorized to provide interexchange telecommunications services in Colorado.

26. AT&T is the holding company parent of Teleport Communications Group, Inc., which is the holding company parent of TCG. TCG is a New York general partnership headquartered at One AT&T Way, Room 4A231, Bedminster, NJ 07921. TCG is authorized to provide local exchange telecommunications services, intraLATA and interLATA toll service, and certain emerging competitive telecommunications services (resale and/or facilities-based) pursuant to a Certificate of Public Convenience and Necessity granted by this Commission on March 13, 1996 (Docket No. 96A-032T, Decision No. C96-307) and amended on November 6, 1996 and December 11, 1996 (Docket No. 96A-394T, Decision Nos. C96-1198 and C96-1308), and further amended on July 3, 1997 (Docket No. 97A-195T, Decision No. C97-683), January 6, 1999 (Docket No. 98O-568T, Decision C99-26), and October 26, 2000 (Docket No. 000-535T, Decision No. C00-1224). TCG's operating authority is limited to the territories served by Qwest.

II. THE PLANNED MERGER

27. On January 30, 2005, SBC and AT&T entered into an Agreement and Plan of Merger (Merger Agreement). A copy of said Agreement is attached hereto as Exhibit A.

28. The Merger Agreement provides for a business combination (merger) of SBC and AT&T pursuant to which SBC will acquire AT&T and AT&T will be merged into a wholly owned subsidiary of SBC. The SBC subsidiary is a newly formed entity, created for the specific

purpose of this transaction, named Tau Merger Sub Corporation (Tau). AT&T will be the surviving entity of the merger with Tau for all legal purposes and the combined entity will retain the name AT&T Corp.

29. In connection with the merger, AT&T shareholders will receive 0.77942 shares of SBC stock for each share of AT&T stock they own, as well as a one-time cash dividend from AT&T of \$1.30 per AT&T share. SBC shareholders will continue to own SBC stock and otherwise will not be affected by the transaction. Upon completion of the transaction, former AT&T shareholders will hold approximately 16% of SBC's outstanding shares.

30. The merger will not impede the Commission's ability to regulate and effectively audit the intrastate operations of any of the operating subsidiaries of SBC and AT&T authorized to provide services in Colorado. Upon consummation of the merger, these entities will continue to hold all of the state certificates that they currently hold. There will be no transfer of assets of those entities as a result of the merger.

III. REQUIRED APPLICATION CONTENTS

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