

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

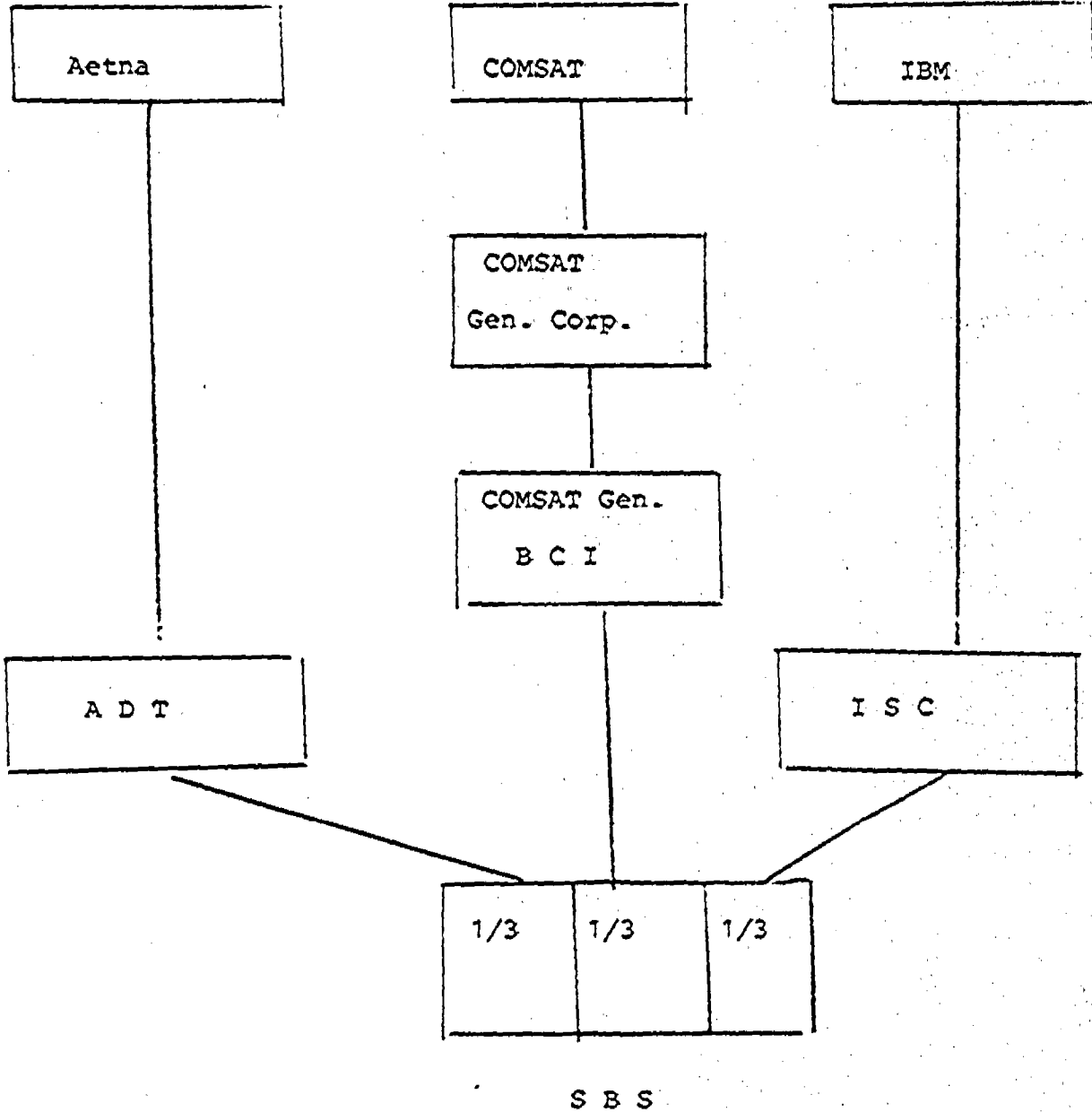
In re: Application of
Satellite Business
Systems for Approval of
a Change in Ownership
Structure.

Application 84-10-038
(Filed October 10, 1984)

O P I N I O N

Satellite Business Systems (SBS), a partnership, and its three sponsors, Aetna Life and Casualty Company (Aetna), Communications Satellite Corporation (COMSAT), and International Business Machines Corporation (IBM) seek authority to restructure the ownership of SBS. The Commission has authorized SBS to provide intrastate telecommunications services.

The three sponsors own an equal interest in SBS through subsidiaries. Aetna's subsidiary, Aetna Diversified Technologies, Inc. (ADT), is a one-third partner in SBS; IBM's subsidiary, Information Satellite Corporation (ISC) is a one-third partner in SBS; and COMSAT's second-tier subsidiary, COMSAT General Business Communications, Inc. (BCI), is a one-third partner in SBS. The current ownership of SBS may be represented schematically as follows:

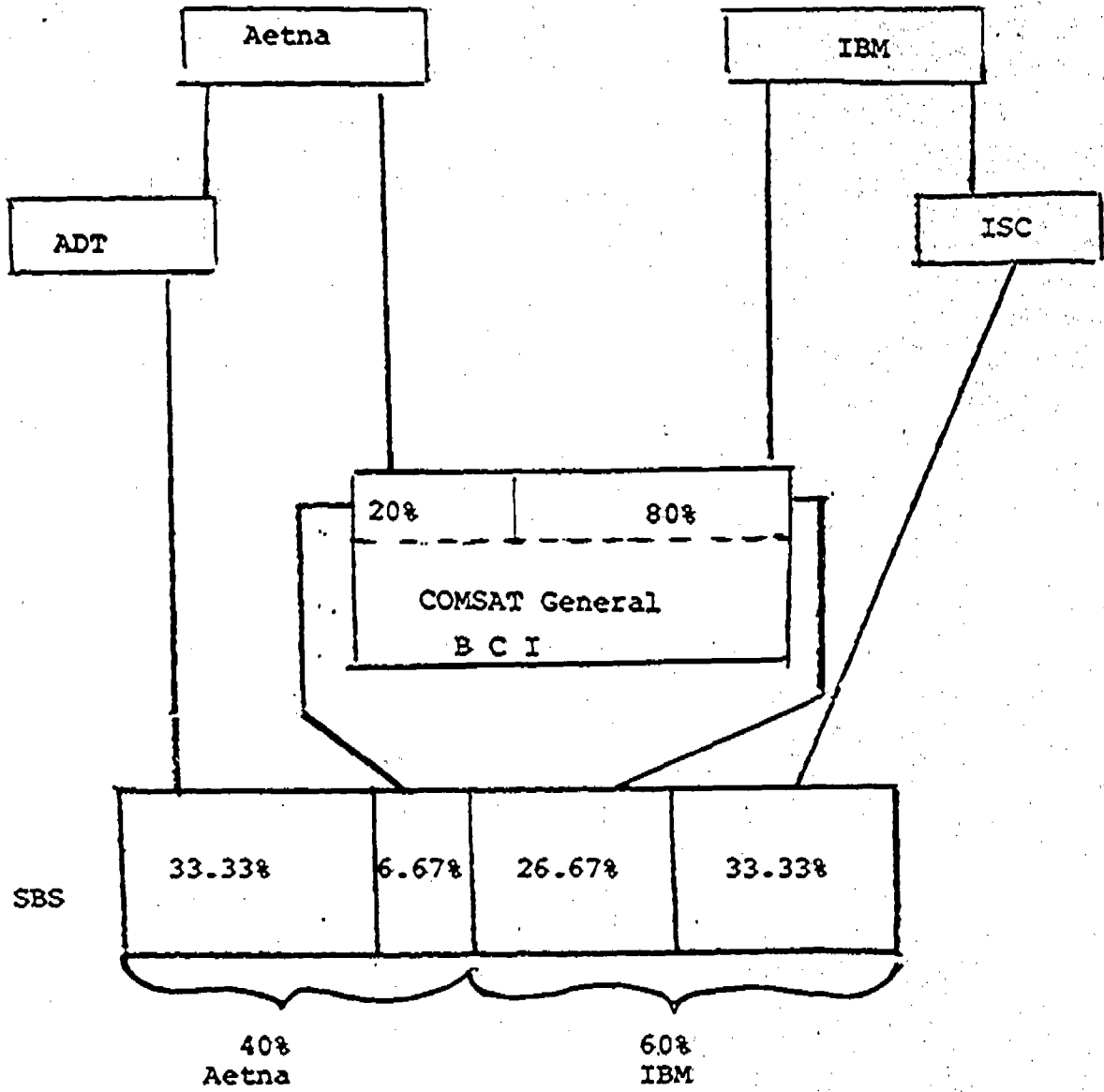


SBS has steadily been creating an extensive network of nationwide communications facilities. SBS now offers long distance services comparable to MTS and WATS for both residential and commercial subscribers. SBS has reached a juncture in its development where substantial additional capital is required to permit it to continue the necessary expansion of its services as well as to develop new products and offerings. While two of its founding sponsors desire to continue contributing to the capital needs of SBS, one, COMSAT, has decided that its business interests lie elsewhere and that it does not wish to make those additional contributions.

Because continued participation in SBS is no longer consistent with its business plans, COMSAT has decided to sell its entire interest in SBS to IBM and Aetna. To accomplish the ownership restructuring the partners have agreed that IBM will purchase 80% and Aetna will purchase 20% of COMSAT General's interest in BCI. After the transaction IBM will hold a 60% interest in SBS and Aetna will hold a 40% interest in SBS.¹

After the transaction the ownership interests would appear as follows:

¹ IBM's 60% interest will be held through its 100% interest in ISC, which will continue to own 1/3 of SBS, and its 80% interest in BCI. Aetna's 40% interest will be held through its 100% interest in ADT, which will continue to own 1/3 of SBS, and its 20% interest in BCI.



Until January 31, 1986, Aetna will have an option to equalize its ownership interest in SBS with that of IBM. During this period, or until Aetna exercises its option, IBM and Aetna will have an equal vote and voice in the management of SBS on all matters and will contribute equally to meet new funding requirements. IBM and Aetna will have the same degree of negative control during the option period as they do in the present SBS structure.

After exercising the option or when the option period has expired, IBM and Aetna will hold voting interests in, and will fund, SBS commensurate with their partnership interests. Depending on its election, Aetna will hold between 40% and 50% of SBS with no more than negative control; and IBM will hold between 50% and 60% with either negative or positive control. Applicant requests a waiver of the requirement of Rule 35(d) that it provide the purchase price and terms of payment. It alleges that these matters are confidential among the partners and are not material to the issues presented in the application, given the stature of the remaining partners.

Findings of Fact

1. The proposed change in ownership is not intended to alter the operations, plans, or policies of SBS.
2. The proposed transaction involves no property transfers. IBM and Aetna are purchasing COMSAT General's ownership interest in SBS held through stock in its subsidiary BCI.
3. The proposed stock transaction involves only the withdrawal of one of the partners (BCI) and the realignment of the interests of the remaining partners.
4. Given the financial resources of the surviving partners, there is no reason to believe that the change of ownership will have any adverse effect upon the interests of the public or on the users of SBS's services.
5. No protests have been filed. A public hearing is not necessary.

Conclusions of Law

1. The requirements of Rule 35(d) should be waived.
2. The application should be granted.
3. The following order should be effective immediately since the transaction was due to close on November 1, 1984.

O R D E R

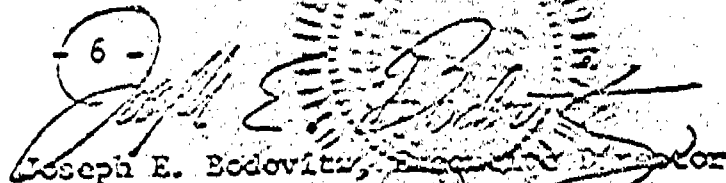
IT IS ORDERED that:

1. Satellite Business Systems (SBS) is authorized to realign the ownership interests of its partners as set forth in the application.
2. Within 30 days after the realignment has closed, SBS shall so advise the Executive Director in writing.
3. Within 30 days after the option is exercised or the option period has expired, SBS shall so advise the Commission by filing an original and 12 copies of the notice with the Commission's Docket Office.
4. The application is granted as set forth above.
This order is effective today.
Dated November 21, 1984, at San Francisco, California.

PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

Commissioner Victor Calvo,
being necessarily absent, did
not participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

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Joseph E. Bodovitz, Executive Director

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