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November 16, 1998

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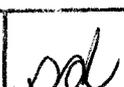
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Arizona Corporation Commission

DOCKETED

DEC 17 1998

ORIGINAL

Jack Rose, Executive Secretary  
Utilities Division  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

DOCKETED BY 

Re: Notification of the Pro Forma Merger of  
WinStar Wireless, Inc. and WinStar Wireless of Arizona, Inc.

Dear Mr. Rose:

On behalf of WinStar Wireless, Inc. ("WWI") and WinStar Wireless of Arizona, Inc. ("WW of Arizona") (collectively the "Parties"), this letter is to advise the Commission of the merger of WWI and WW Arizona, and the proposed assignment of WW of Arizona's Certificate of Convenience and Necessity to WWI. As part of this *pro forma* corporate reorganization, WW of Arizona, along with certain other affiliated WinStar Wireless subsidiaries operating in other states, will be merged with and into WWI (the "Reorganization"). As a result of the Reorganization, WW of Arizona will cease to exist and WWI will assume WW of Arizona's certification and operations. As described below, the Reorganization will not change the ultimate ownership or control of WW of Arizona's certificate or operations.

Pursuant to a review of Arizona statutes and the Commission's rules, it is the understanding of the Parties that prior Commission approval is not required for the Reorganization. In the event the Commission determines that approval of the Reorganization is required, however, this letter should serve as a request for expedited approval.

Description of the Parties

WinStar Communications, Inc. is a publicly held Delaware corporation that is headquartered at 230 Park Avenue, Suite 2700, New York, New York, 10169. WinStar Communications is the ultimate corporate parent of the WinStar family of companies. WinStar Communication's operating subsidiaries (collectively, "WinStar"), including WW of Arizona, operate as facilities-based and resale providers of private line and switched local and interexchange services throughout the United

States. WinStar's customers are predominantly small and medium-sized businesses.<sup>1/</sup> WinStar's facilities-based networks principally employ a hub and spoke design, with end users connected to hub sites via fixed point-to-point line of sight microwave connections primarily in the 38.6-40.0 GHz band.

As wireless providers of telecommunications services, WinStar's subsidiaries have been authorized by the Federal Communications Commission ("FCC") to provide radio microwave services in the 38.6-40.0 GHz radio band.<sup>2/</sup> Thus, the WinStar family of companies has constructed, or is in the process of constructing, microwave networks for high capacity telecommunications services in metropolitan markets throughout the United States. Further, the WinStar companies are authorized to provide intrastate telecommunications services in 42 states, including Arizona,<sup>3/</sup> as well as the District of Columbia.

Information concerning the legal, technical, managerial and financial qualifications of WinStar was submitted with the various application(s) filed with the Commission with respect to its subsidiary currently operating in Arizona, and is, therefore, already a matter of record with the Commission. WinStar respectfully requests that the Commission take official notice of this information and incorporate it by reference herein.

#### **Description of the Transaction**

WW of Arizona presently is a wholly-owned subsidiary of WinStar Wireless Fiber Corporation ("WW Fiber"). WW Fiber is a non-regulated entity that operates as a holding company and is a first-tier wholly-owned subsidiary of WinStar Communications, Inc. ("WCI"), the ultimate parent company of the WinStar subsidiaries. WinStar Wireless, Inc. ("WWI"), like WW Fiber, also is a first-tier wholly-owned subsidiary of WCI.

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<sup>1/</sup> As a line of sight technology with fiber equipment capabilities, WinStar's operations are – from the end user's perspective – no different from wireline, fiber-based CLECs. WinStar is not a cellular or mobile carrier.

<sup>2/</sup> The WinStar companies hold the largest amount of 38 GHz spectrum in the United States, which they use to carry high-speed, digital traffic including voice, data and video transmission. The technology employed by the WinStar network offers capabilities equivalent to those of a fiber optic network, without employing underground cable and conduits. Moreover, the frequency pairs that have been allocated by the FCC to WinStar have enabled WinStar to design high-speed microwave services that are cost-effective and reliable. WinStar has agreed to acquire an aggregate of 47 additional 38 GHz licenses in a series of transactions subject to the approval of the FCC. Upon completion of these acquisitions, WinStar and its subsidiaries will be able to provide telecommunications services in the 50 most populated Metropolitan Statistical Areas.

<sup>3/</sup> See Decision No. 60397 (Sept. 26, 1997).

As part of the Reorganization, WW of Arizona and certain other second-tier WinStar Wireless operating subsidiaries will be merged into WWI. As a result, WW of Arizona and the other affiliated sister companies will cease to exist as corporate entities and WWI will hold the certificates previously held by the respective WinStar Wireless companies. For the Commission's convenience, pre- and post-reorganization charts depicting the proposed Reorganization are appended hereto as Attachment A.

The proposed Reorganization is strictly *pro forma* and will not adversely affect the provision of telecommunication services in Arizona. All of WW of Arizona's customers will be served by the same team of qualified consumer representatives and will be provided service pursuant to contracts and tariffs that offer all of the services offered by WW of Arizona, at the same rates, terms and conditions as are currently available. WWI will file a revised tariff to reflect the reorganization that will incorporate identical services, rates, terms and conditions. There will be no change in the ultimate ownership or control of WWI or in the management or day-to-day operations in Arizona. WWI will be led by the same team of experienced telecommunications personnel that led WW of Arizona. Thus, service will continue to be provided using the same network, billing systems and customer service operations as are used by WW of Arizona.

#### **Public Interest Considerations**

For internal corporate reasons, WinStar has determined that the operational efficiency of the Company will be improved and streamlined by the proposed Reorganization. The Reorganization will enable the Company to reduce its administrative and operating expenses and realize operational and management efficiencies and other corporate benefits. These efficiencies will enable the Company to more effectively compete in the telecommunications market to the ultimate benefit of consumers in Arizona. The Reorganization will be made in a seamless fashion that will not adversely affect the provision of telecommunications services in Arizona, but will, in fact, increase the financial strength of the entity which is providing service in Arizona. The Reorganization is simply a paper transaction that will be transparent to consumers and will not in any way inconvenience or cause harm to WW of Arizona's customers.

#### **Conclusion**

Upon review of the Arizona statutes and Commission rules, it is the understanding of the Parties that prior Commission approval is not required for the Reorganization described above. Absent receipt of written notification to the contrary within thirty (30) days, we will proceed on our understanding that no approval or other formal action with respect to the proposed Reorganization is required by the Commission. This letter is forwarded to the Commission for information purposes, to be included in the appropriate file.

Please date-stamp the enclosed extra copy of this letter and return it in the self-addressed, stamped envelope provided herein. Should you have any questions or comments regarding this transaction, do not hesitate to contact the undersigned.

Respectfully submitted,

*Nancy Killien Spooner*

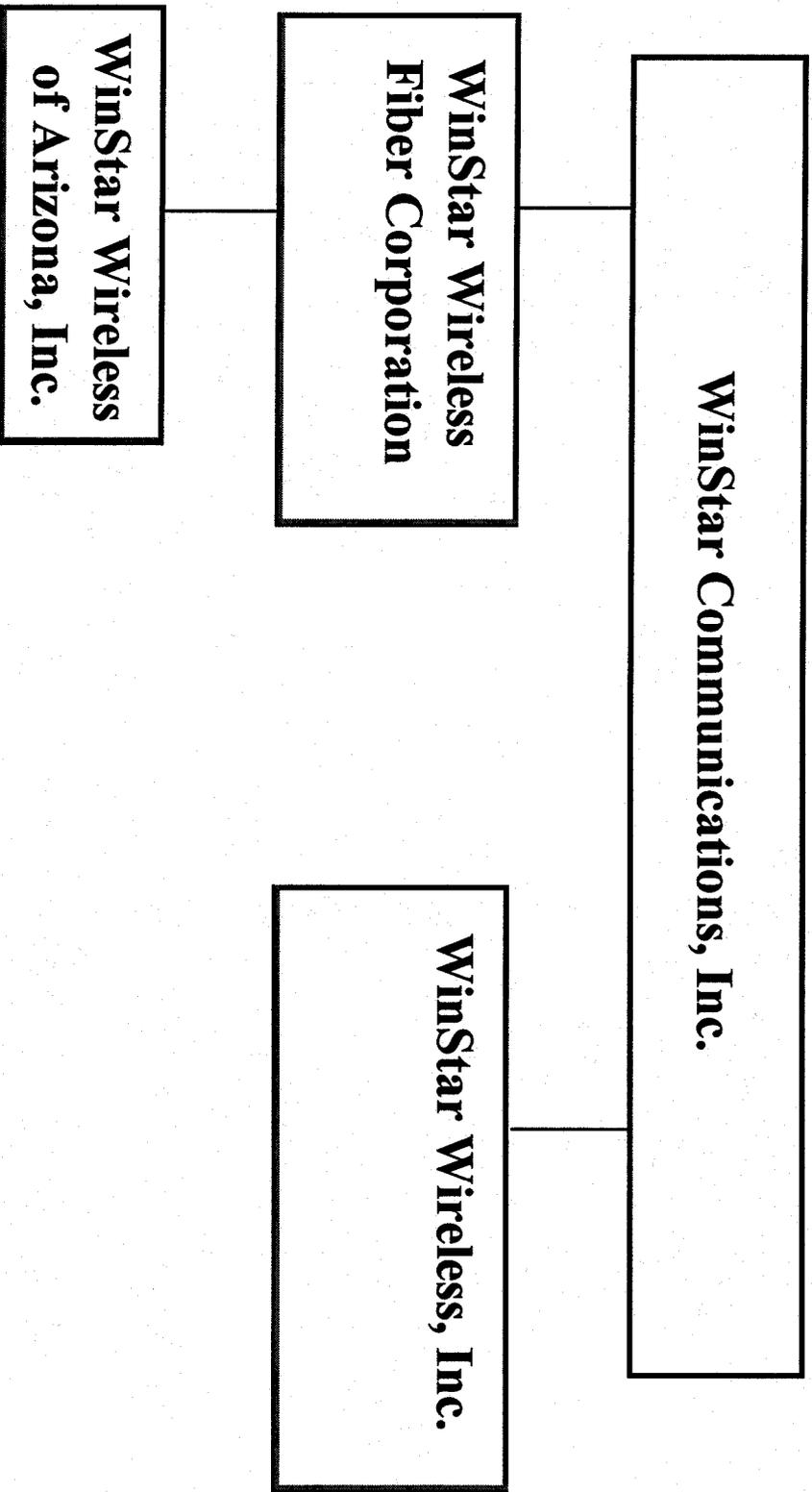
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# ARIZONA

## WINSTAR

### Pre - Reorganization Chart



# ARIZONA

## WINSTAR

### Post - Reorganization Chart

