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February 7, 2002

## BY OVERNIGHT DELIVERY

Thomas Dorman, Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602

RECEIVED

FEB 08 2002

PUBLIC SERVICE  
COMMISSION

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Re: Notification of Winstar Wireless, Inc. and Winstar Communications, LLC  
of the Transfer of Assets and Authorizations of Winstar Wireless, Inc. to  
Winstar Communications, LLC

Dear Mr. Dorman:

Winstar Wireless, Inc. ("Old Winstar") and Winstar Communications, LLC ("New Winstar") (together, the "Parties"), hereby notify the Commission of their intent to transfer the assets and authorizations of Old Winstar to New Winstar as a result of transaction arising out of Old Winstar's bankrupt status and approved by the United States District Court for the District of Delaware<sup>1</sup> in which New Winstar's parent company is acquiring the core domestic telecommunications assets of Winstar Communications, Inc. ("WCI"), the ultimate parent company of Old Winstar and its various subsidiaries, including the authorizations and related assets, including customer accounts, of Old Winstar in Kentucky (the "Transaction"). Among other things, the Transaction contemplates the assignment to New Winstar of the authority to provide intrastate telecommunications services (the "Authorization") and the transfer to New Winstar of customers in Kentucky to whom Old Winstar currently provides intrastate telephone. As described in greater detail below, New Winstar intends to operate the Old Winstar assets pursuant to the same rates, terms and conditions as Old Winstar.<sup>2</sup> Accordingly, this transaction will be transparent to Old Winstar's customers.

<sup>1</sup> Old Winstar and certain of its affiliates filed for bankruptcy on April 18, 2001 and currently operate under the protection of the U.S. Bankruptcy Code before the U.S. District Court for the District of Delaware (the "Bankruptcy Court"). See Chapter 11 Case No. 01-01430 (JJF) (Bankr. D. Del.). The Bankruptcy Court issued an order (the "Sale Order") approving the Transaction described herein on December 19, 2001.

<sup>2</sup> In accordance with 807 KAR 5:011, Section 11, New Winstar hereby files as Exhibit A an adoption notice in order to adopt (without change) the tariffs Old Winstar currently has on file with the Commission. During the transition process and following the transfer, New Winstar will evaluate the Old Winstar business and will advise the Commission and seek any necessary approvals should it determine that changes to the business would impact the regulated assets and/or customers that it is acquiring are appropriate.

Upon a review of Kentucky statutes and Commission rules, the Parties understand that prior approval is not required to complete the transfer and the associated transfer of assets described herein. The Parties therefore submit this notification letter for the Commission's information and ask that it be retained by the Commission in the appropriate file.

**I. THE PARTIES**

**A. Winstar Communications, LLC ("New Winstar")**

Winstar Communications, LLC is a recently formed Delaware limited liability company with its principal business office located at 520 Broad Street, Newark, New Jersey 07102-3111. New Winstar is a direct subsidiary of Winstar Holdings, LLC. Winstar Holdings, LLC is 95 percent owned by IDT Advanced Communication Services, LLC, a wholly owned subsidiary of IDT Corporation. The other 5 percent of Winstar Holdings, LLC is owned by the Old Winstar bankruptcy estate.<sup>3</sup> IDT Advanced Communication Services, LLC, Winstar Holdings, LLC, and New Winstar were formed specifically in conjunction with the proposed acquisition of the core domestic telecommunications assets of WCI and certain of its operating subsidiaries, including Old Winstar.

IDT Corporation, the ultimate parent company of New Winstar, is organized under the laws of the State of Delaware with its principal business office located at 520 Broad Street, Newark, New Jersey 07102-3111. IDT Corporation provides telecommunications services in the United States and abroad. Additionally, through its indirect subsidiary IDT America, Corp. ("IDT America"), IDT Corporation is authorized to provide interexchange telecommunications services throughout the country, including Kentucky.

**B. Winstar Wireless, Inc. ("Old Winstar")**

Old Winstar is a corporation organized under the laws of the State of Delaware with its principal business office located at 2350 Corporate Park Drive, Herndon, Virginia 20171. Old Winstar is a wholly owned operating subsidiary of WCI Capital Corp., which is a direct, wholly owned subsidiary of WCI. WCI is a publicly held corporation organized under the laws of the State of Delaware with its principal business office located at The Winstar Building, 685 Third Avenue, New York, New York 10017. WCI's subsidiaries provide, among other things, facilities-based and resale telecommunications services, as well as private line and switched local and interexchange services throughout the United States utilizing a network of wireless and wireline facilities. Old Winstar, more particularly, is authorized to provide intrastate telecommunications services in Kentucky pursuant to the Authorization.<sup>4</sup>

<sup>3</sup> It is also contemplated that Winstar Holdings, LLC (or one of its affiliates) may grant non-controlling equity interests as incentive compensation to certain employees, officers, directors and consultants of Winstar Holdings, LLC and its affiliates.

<sup>4</sup> Case No. 96-249 (7/14/97). The Authorization was issued to Winstar Wireless of Kentucky, Inc. and was subsequently transferred to Old Winstar.

## II. POST-TRANSFER CONTACT INFORMATION

For purposes of future Commission inquiries, complaints, and correspondence, the contact for the Commission will remain as follows after the transfer:

Kimberley A. Bradley  
Senior Director of Regulatory Affairs  
Winstar Communications, LLC  
1850 M Street, NW, Suite 300  
Washington, DC 20036  
(202) 367-7654 (Tel)  
(202) 659-1931 (Fax)  
[KBradley@winstar.com](mailto:KBradley@winstar.com) (E-Mail)

For purposes of referring future consumer inquiries, the contact information will remain as follows after the transfer:

Winstar National Customer Satisfaction Center  
5151 Blazer Parkway, Suite A  
Dublin, OH 43017  
(888) 961-8800 (Tel)  
[info@winstar.com](mailto:info@winstar.com) (E-Mail)

## III. THE TRANSACTION

Pursuant to this Transaction, Winstar Holdings, LLC is acquiring the core domestic telecommunications assets of WCI and certain of WCI's operating subsidiaries, including those of Old Winstar, pursuant to section 363<sup>5</sup> of the Bankruptcy Code and will operate those assets through certain newly formed subsidiaries, including New Winstar, which will operate the assets in Kentucky.<sup>6</sup> In order to complete the Transaction, Winstar Holdings, LLC entered into an Asset Purchase Agreement with WCI and certain of its core business subsidiaries, including Old Winstar, for the sale of substantially all of the assets utilized by WCI's operating subsidiaries to operate its domestic telecommunications business. In consideration for these assets, Winstar Holdings, LLC provided the Old Winstar bankruptcy estate: (1) \$30 million in immediately available funds; (2) IDT Corporation Class B common stock valued at \$12.5 million; and (3) a 5 percent interest in Winstar Holdings, LLC. The Asset Purchase Agreement, and the sale of assets to New Winstar, was approved by the Bankruptcy Court on December 19, 2001.

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<sup>5</sup> The Bankruptcy Court Sale Order envisioned that this transaction would proceed regardless of whether Old Winstar remained in Chapter 11 or if the case converted to a Chapter 7 proceeding subsequent to the issuance of the Bankruptcy Court Sale Order. The conversion, which occurred January 29, 2002, therefore did not affect the asset sale to New Winstar as approved in the Sale Order or the orderly transition procedures set forth therein. *See* Sale Order at para. 9.

<sup>6</sup> An organizational chart showing the post-transfer corporate relationship of New Winstar and IDT America, IDT Corporation's other regulated telecommunications subsidiary operating in Kentucky, is included as Exhibit B.

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The Court found that the approval of the sale to Winstar Holdings, LLC was in the best interest of the WCI companies, its creditors, its estate, and other parties in interest.<sup>7</sup>

New Winstar is extremely well qualified to acquire and operate the Old Winstar business. New Winstar's ultimate parent company, IDT Corporation, was founded in 1990 and since that time it, together with its subsidiaries, has firmly established itself as a leading multinational carrier, routing billions of minutes of traffic per year. The Company uses its national telecommunications backbone and fiber optic network infrastructure to provide customers with an array of communications services. IDT Corporation delivers its telecommunications services over a high-quality network comprised of more than 150 switches in the U.S. and Europe, and owned and leased capacity on 14 undersea fiber optic cables.

IDT Corporation's success in developing innovative products and services and in expanding its geographic reach has translated into impressive growth in recent years, and has created a company that is extremely well-qualified financially to operate and expand the Old Winstar business. IDT Corporation currently holds over \$1 billion in cash and cash equivalents.<sup>8</sup> Moreover, through the Commission's authorization of IDT Corporation's subsidiary, IDT America, the Commission has already found IDT Corporation financially qualified to provide telecommunications service in Kentucky. New Winstar also has the managerial and technical resources necessary to operate the Winstar business in Kentucky. Members of IDT Corporation's senior management team will be actively involved in operating New Winstar to assure the continued and uninterrupted provision of service pending regulatory approvals and in assessing and, as necessary, in reformulating the Winstar business so that it may offer innovative and competitive local and long distance telecommunications services on a more financially secure basis. IDT Corporation's management also expects to rely upon many of Winstar's existing operations and management personnel who are familiar with the nature of the existing operations. As a result, New Winstar will be led by a well-qualified management team and will have the managerial and technical expertise and resources necessary to acquire and operate Old Winstar's telecommunications assets in Kentucky.

In sum, Winstar Holdings, LLC and New Winstar have the financing necessary to complete the Transaction. As noted above, \$60 million has been deposited in an account to be used for the purposes of operating the system and will that vendors are paid in full during the transition period. In addition, as shown above, New Winstar and its parent company are extremely well qualified financially and managerially, and have the resources necessary to operate the Winstar business.

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<sup>7</sup> See Sale Order at para. 23. Due to the financial situation of Old Winstar and its affiliates, and the disruption of service to their customers that would have occurred absent the Transaction, the Bankruptcy Court authorized the immediate sale of certain assets to New Winstar, defined in the Sale Order as "Purchased Assets."

<sup>8</sup> A copy of the entire Form 10-K of IDT Corporation may be obtained under "SEC Filings" found at [http://www.corporate-ir.net/ireye/ir\\_site.zhtml?ticker=idt&script=2100](http://www.corporate-ir.net/ireye/ir_site.zhtml?ticker=idt&script=2100).

#### **IV. PUBLIC INTEREST STATEMENT**

The Parties believe that the Transaction serves the public interest. In particular, Parties submit that (1) the Transaction will prevent a precipitous discontinuance of service to Old Winstar customers and will be conducted in a manner that will be virtually transparent to these customers; and (2) the revitalization of "Winstar" as a strong competitor in the telecommunications market will assure that the benefits of competition generated by Old Winstar's presence will not be lost to consumers.

The asset transfer approved by the Bankruptcy Court will assure that the customers of Old Winstar will not suffer a precipitous disruption of service as a result of Old Winstar's financial situation since, absent the immediate commitment of Winstar Holdings, LLC to assume responsibility for payment of operating expenses and to provide management support to Old Winstar, it would have been forced to take immediate steps to cease operating and to discontinue all services to customers. Although it would have done everything in its power to provide adequate notice to customers, Old Winstar could not have guaranteed that such notice would have been possible, since it was threatened with immediate discontinuance of service by many of its underlying carriers.

Moreover, in order to assure that the transaction will be virtually transparent to Old Winstar's existing customers, New Winstar will operate under the "Winstar" name and will adopt the existing Winstar tariffs so that customers can continue to receive the same rates and services during the transition to New Winstar. During the transition period and following the transfer, the Parties will advise the Commission and seek any necessary approvals should they determine that changes to the business that would impact the regulated assets and/or customers that are being acquired are appropriate. The Parties also intend to continue keep customers informed of any significant changes to their services. All customers were notified by letter dated December 21, 2001 of the Transaction and given assurances regarding the continued provision of Winstar services. A copy of that customer letter is attached hereto as Exhibit C. And, consistent with regulatory carrier change requirements, Winstar customers will also be notified of the transfer of their service to New Winstar and given the opportunity to switch to another service provider.

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V. CONCLUSION

An original and ten (10) copies of this letter are enclosed. Please date stamp and return the enclosed extra copy of this letter in the self-addressed envelope provided. The Parties will complete the asset transfer as soon as possible and in no event later than April 17, 2002. Therefore, the Parties respectfully request that the Commission notify the Parties promptly if it has any questions regarding the proposed transaction.

Respectfully submitted,



Jean L. Kiddoo  
Brian McDermott

COUNSEL FOR THE PARTIES

cc: Carl Billek  
Kimberley A. Bradley

**LIST OF EXHIBITS**

- Exhibit A - Adoption Notice
- Exhibit B - Illustrative Post-Transaction Corporate Structure of IDT Corporation and Regulated Telecommunications Subsidiaries
- Exhibit C - December 21, 2001 Letter to Customers

**Exhibit A**

**Adoption Notice**



**ADOPTION SUPPLEMENT**

Winstar Communications, LLC hereby adopts, ratifies, and in every respect makes its own, as if the same had been originally filed by it, Kentucky PSC Tariff No. 2 filed with the Public Service Commission, Commonwealth of Kentucky, by Winstar Wireless, Inc.

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Issued: February 8, 2002

Effective: April 17, 2002

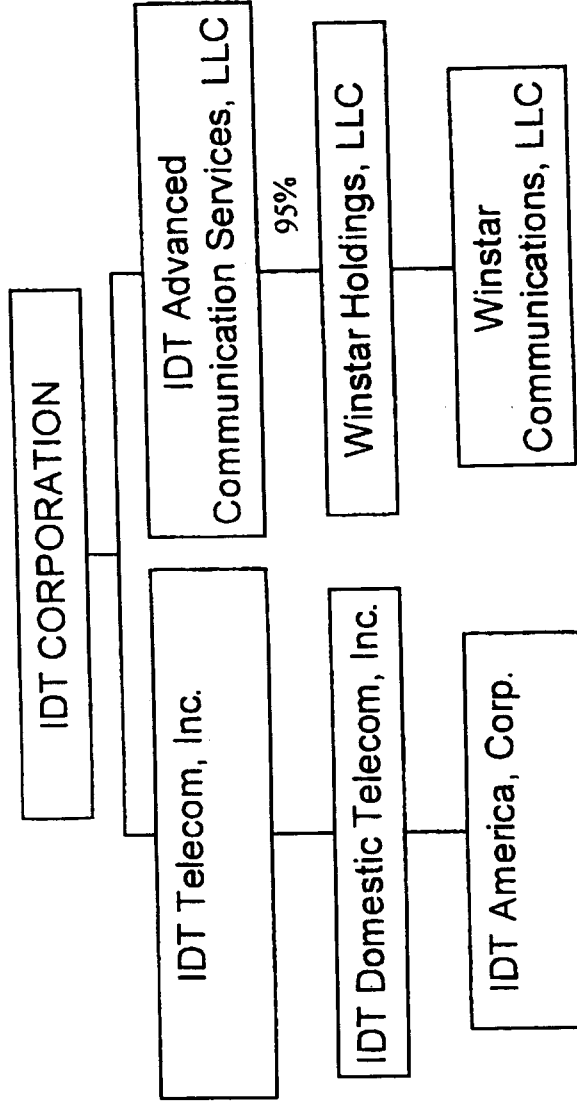
By:

Kimberley A. Bradley  
Senior Director of Regulatory Affairs  
1850 M Street, NW, Suite 300  
Washington, DC 20036

**Exhibit B**

**Illustrative Post-Transaction Corporate Structure of IDT Corporation  
and Regulated Telecommunications Subsidiaries**

WINSTAR POST-ACQUISITION STRUCTURE



**Exhibit C**

**December 21, 2001 Letter to Customers**



December 19, 2001

Dear Valued Customer:

Today Winstar sold its telephony and data business and assets to IDT Corporation. This includes the assets that are used to provide service to you. This is very good news for our future and for you as a Winstar customer because it ensures the viability and future of our business.

IDT is a leading multinational carrier with strong financial resources, a national telecommunications backbone, and significant investments in several telecommunications and Internet companies. As a result of this latest investment, Winstar emerges in a strong financial position that enables us to not only continue to provide our existing services, but also deliver new offerings that will help your business be more efficient and productive.

I want to assure you that our day-to-day business continues as usual. Winstar's number one priority remains providing you with continuous, high quality service and support. We are excited about the prospects of this transaction and what it means for you.

The telecommunications industry has experienced unprecedented turmoil in 2001. I want to personally thank you for the continued support and loyalty you have displayed during this time. By joining forces with IDT, Winstar has solidified its financial position so that we may continue to stay focused on serving our customers as an even stronger Winstar.

Regards,

Robert McGuire  
President & Chief Operating Officer  
Winstar Sales and Service

P.S. Additional information is available at [www.winstar.com](http://www.winstar.com). As always, if you have questions about your services, you can contact us at Winstar's National Customer Satisfaction Center, at (888) 961-8800.