

AT&T announced that it has agreed to acquire NextWave Wireless, Inc. NextWave holds licenses in the Wireless Communication Services (WCS) and Advanced Wireless Service (AWS) bands.

WCS spectrum was first auctioned in 1997, but has not been utilized for mobile Internet usage due to technical rules designed to avoid possible interference to satellite radio users in adjacent spectrum bands.

In June, AT&T and Sirius XM filed a joint proposal with the FCC that would protect the adjacent satellite radio spectrum from interference and enable WCS spectrum — for the first time — to be used for mobile Internet service. This proposed solution on WCS spectrum, which is still under review by the FCC, effectively creates much-needed new spectrum capacity.

AT&T said the proposed WCS rule changes and NextWave acquisition represent an alternative approach to creating additional wireless network capacity to help support skyrocketing wireless data usage on smartphones and tablets. If approved, the proposal will enable AT&T to begin initial deployment of WCS spectrum for added 4G LTE capacity, in approximately three years.

Under the terms of the agreement, AT&T will acquire all the equity of NextWave for approximately \$25 million plus a contingent payment of up to approximately \$25 million and, through a separate agreement with NextWave's debtholders, all of the company's outstanding debt will be acquired by AT&T or retired by NextWave, for a total of \$600 million in cash. The outstanding debt held by NextWave's bondholders will be satisfied through cash and a transfer of selected NextWave assets. NextWave's debtholders have agreed to the terms, and a majority of its shareholders have agreed to support the transaction.

The transaction is subject to review by the Federal Communications Commission and to other customary closing conditions. Additionally, NextWave's transfer of assets may be subject to Hart-Scott-Rodino review by the Federal Trade Commission and Department of Justice. AT&T anticipates closing the transaction by the end of 2012.