

October 30, 2014

VIA ECFS

Marlene H. Dortch, Esq.
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, D.C. 20554

Re: *Applications of AT&T Inc. and Atlantic Tele-Network, Inc. for Consent to the Transfer of Control of Licenses and Authorizations, WT Docket No. 13-54*
REDACTED FOR PUBLIC INSPECTION

Dear Ms. Dortch:

Paragraph 99 of the Memorandum Opinion and Order in the above-referenced proceeding requires AT&T to report quarterly on the progress it has made toward implementing various commitments AT&T made in this proceeding and AT&T's customer migration plans.¹ Accordingly, enclosed please find a redacted version of AT&T's Quarterly Progress Report Covering the Time Period of July 1, 2014 to September 30, 2014.

Pursuant to the Second Protective Order in this proceeding,² this document has been redacted for public inspection. Unredacted versions of this filing are being delivered to your office and to the staff of the Wireless Telecommunications Bureau under separate covers.

Please contact me if you have any questions. Thank you for your assistance.

Respectfully submitted,



Counsel for AT&T Inc.

Enclosure

¹ *Applications of AT&T Inc. and Atlantic Tele-Network, Inc. for Consent to Transfer Control of and Assign Licenses and Authorizations*, Memorandum Opinion and Order, 28 FCC Rcd. 13,670, 13721-22 ¶ 99 (2013).

² *Id.*, Second Protective Order, 28 FCC Rcd. 8204, *amended*, Letter from Ruth Milkman, Chief, Wireless Telecommunications Bureau to Peter J. Schildkraut, Arnold & Porter LLP, 28 FCC Rcd. 8886 (WTB 2013).

**AT&T QUARTERLY REPORT REGARDING TRANSFER OF LICENSES
FROM ALLIED TO AT&T, COVERING THE TIME PERIOD OF
JULY 1-SEPTEMBER 30, 2014**

SUBMITTED OCTOBER 30, 2014

INTRODUCTION

On September 20, 2013, the Commission approved the applications of AT&T Inc. (“AT&T”) and Atlantic Tele-Network, Inc. (“ATN”) for AT&T to acquire the retail wireless operations and associated assets (including customers, wireless spectrum, network equipment, and other assets) of ATN’s subsidiary Allied Wireless Communications Corporation (“Allied”).¹ The transaction closed later that day (the “Closing”). Post-Closing, AT&T embarked on transition processes, including integrating Allied’s CDMA network into AT&T’s GSM/UMTS (including HSPA and HSPA+)/LTE network and migrating Allied’s customers² to AT&T service.

In connection with its approval of the transaction, the Commission imposed on AT&T the obligation to satisfy various commitments (“Commitments”) AT&T had made in a letter filed on September 18, 2013 (the “Commitment Letter”).³ These Commitments concern roaming, the integration of Allied’s CDMA network into AT&T’s 4G network, migration of Allied’s postpaid customers to AT&T’s network, and the filing of quarterly progress reports on the status of the implementation of the Commitments and AT&T’s customer migration plans.⁴ AT&T submitted its First Quarterly Progress Report on January 10, 2014, covering the time period of September 20-December 31, 2013. AT&T followed with its Second Quarterly Progress Report on April 30, 2014, covering the time period of January 1-March 31, 2014 and its Third Quarterly Progress Report on July 30, 2014, covering the period April 1-June 30, 2014. This is AT&T’s fourth quarterly progress report. It details AT&T’s progress towards implementing the Commitments and AT&T’s customer migration plans as of September 30, 2014, except where a later date is specified.

¹ *Applications of AT&T Inc. and Atlantic Tele-Network, Inc. for Consent to Transfer Control of and Assign Licenses and Authorizations*, Memorandum Opinion and Order, 28 FCC Rcd. 13,670 (2013) (“*Order*”).

² Allied’s customers are located in mostly rural parts of Georgia, Idaho, Illinois, North Carolina, Ohio, and South Carolina.

³ *Order*, 28 FCC Rcd. at 13,721-22 ¶¶ 94, 96, 98, 99 (citing Letter from Joan Marsh, AT&T Inc., to Ruth Milkman, Chief, Wireless Telecommunications Bureau, Appendix A (Sept. 18, 2013) (“*Commitment Letter*”).

⁴ *Commitment Letter*, Attachment A, at 3-4. AT&T’s plans for migrating Allied’s prepaid customers, including Lifeline customers, to AT&T’s network are not part of the Commitments. Rather, they were summarized in AT&T’s Fifth Supplemental Response to the FCC Information and Discovery Request. Fifth Supplemental Response of AT&T Inc. to Information and Discovery Request Dated June 5, 2013, at 2-3 (Sept. 18, 2013) (“*5th Supplemental Response*”).

In summary, as of September 30, 2014, AT&T is substantially on track to implement the Commitments, and its customer migration plans are on schedule. Of course, as detailed below and as contemplated by the *Commitment Letter* and AT&T's plans, much work remains. AT&T will continue to advise the Commission in future quarterly reports of its ongoing progress and any significant new issues that may emerge.

AT&T COMMITMENTS

ROAMING

AT&T Commitment: "Roaming: AT&T will offer CDMA voice and data roaming services, consistent with applicable Commission roaming rules, over Allied's 3G EV-DO network until at least June 17, 2015, except at Allied's nine sites in CMAs 381 and 384. AT&T commits to honor the prices, terms and conditions of the contracts that AT&T is assuming from Allied. Nothing in this commitment will require AT&T to modify the rates or other terms or conditions of any CDMA roaming agreement it assumes from Allied. This commitment does not apply to (a) any properties other than those that AT&T is acquiring through the Allied transaction, or (b) any properties that AT&T does not control."⁵

AT&T Implementation Status: In the transaction, AT&T assumed 34 CDMA roaming agreements to which Allied was a party. AT&T continues to honor the price, terms, and conditions of these agreements, which remain in effect as of September 30, 2014. AT&T intends to continue to offer CDMA voice and data roaming services, consistent with applicable Commission roaming rules, over Allied's 3G EV-DO network until at least June 17, 2015, except at Allied's nine former sites in CMAs 381 and 384.

NETWORK DEPLOYMENT

AT&T Commitment: "HSPA+: Within fifteen months of closing, AT&T will deploy 4G HSPA+ service at all current Allied sites that will be integrated into the AT&T network."⁶

AT&T Commitment: "LTE: Within eighteen months of closing, AT&T will deploy 4G LTE service at all current Allied cell sites that will be integrated into the AT&T network and at which AT&T currently holds AWS or Lower 700 MHz B or C block spectrum where high-speed backhaul service is currently available to AT&T. AT&T preliminarily has identified a fiber Ethernet-to-the-Cell ("ETTC") backhaul solution at approximately 70% of Allied cell sites that will be integrated into the AT&T network. AT&T expects to deploy high-speed backhaul solutions at an additional 10% of the integrated Allied sites within 36 months of closing. AT&T shall use its best efforts to identify backhaul solutions for sites currently lacking fiber backhaul

⁵ *Commitment Letter*, Attachment A, at 3; *Order*, 28 FCC Rcd. at 13,721 ¶ 95.

⁶ *Commitment Letter*, Attachment A, at 3; *Order*, 28 FCC Rcd. at 13,720 ¶ 92.

availability and shall report to the Commission, on a quarterly basis, on its progress in that regard in the Progress Reports provided for herein”⁷

AT&T Implementation Status of Its HSPA+ Network Build-Out Commitment: In the transaction, AT&T assumed Allied’s interest in [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] cell sites. Of the [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] cell sites, AT&T said in its previous quarterly reports that it had identified [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] Allied cell sites it intends to integrate into its 4G network.⁸ After further analysis and as explained below, AT&T has concluded that two of those sites are unnecessary for improving the network experience for AT&T’s customers, including those formerly served by Allied. For another site, the tower owner so far has been unwilling to amend the lease to permit AT&T to deploy HSPA+ and LTE service. Accordingly, AT&T now intends to integrate [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] Allied cell sites into its 4G network. Of these [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] sites, AT&T is on track to upgrade [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] sites (the “CDMA Sites”) to HSPA+ and complete their integration into AT&T’s network within 15 months of Closing (December 20, 2014).

One of the remaining CDMA Sites is collocated on [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]

[END AT&T HIGHLY CONFIDENTIAL INFORMATION]

AT&T will keep the Commission apprised of its progress in upgrading this site in future reports.

⁷ *Commitment Letter*, Attachment A, at 3; *Order*, 28 FCC Rcd. at 13,720 ¶ 92.

⁸ First Quarterly Progress Report at 2; *see also* Second Quarterly Progress Report at 2.

⁹ Among these sites are the seven sites in Laurens County, South Carolina, for which, as AT&T advised in prior quarterly reports, AT&T could not complete the network upgrades because of threatened litigation. In its Third Quarterly Report, AT&T advised that the dispute would be mooted through the closing of a purchase agreement dated April 21, 2014, under which AT&T was to purchase from PRT Communications, LLC (“PRT”) the seven sites and associated spectrum licenses. The Commission approved the license assignments contemplated by the purchase agreement on July 28, 2014, *Assignment of License Authorization Applications*, Public Notice, Report No. 9792A (WTB rel. July 30, 2014), and the transaction closed on September 26, 2014.

The other three remaining three CDMA Sites are located on [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]

[END AT&T HIGHLY CONFIDENTIAL INFORMATION] Meanwhile, AT&T is taking all the steps toward the upgrade of these sites that it can take without such approval.

The Three Removed Sites

[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]

¹⁰ AT&T sought approval for the network conversion at all three sites on February 27, 2014.

[END AT&T HIGHLY CONFIDENTIAL INFORMATION]

Status of the Remaining Sites

AT&T has completed the initial RF design for all **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** CDMA Sites. Furthermore, AT&T is nearing completion of the “Site Acquisition” Phase¹¹ and the Transport Phase for the **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** CDMA Sites. The Site Acquisition Phase comprises structural analysis, amendments to site leases, zoning and permitting verification, and approvals of changes. The Transport Phase consists of Ethernet circuit design and the construction and integration of backhaul solutions to each CDMA Site.

Site Acquisition Phase

CDMA Site towers generally require two or three antennas *per* sector to operate current 2G CDMA and/or EV-DO (3G) technology (six to nine total). To overlay HSPA+ on the same tower typically requires one additional antenna per sector (three incremental).¹² The additional antennas must be added to the tower *without removing* the existing CDMA/EV-DO antennas, as AT&T has committed to continue offering CDMA roaming services until at least June 17, 2015. To determine whether the towers at the CDMA Sites can bear the weight of the additional HSPA+ antennas and radios AT&T plans to deploy, AT&T has ordered tower structural load analyses for all CDMA Sites. AT&T has received completed structural load analyses for **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** towers. Of these, **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** can bear the additional antennas and equipment while **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** will require structural modifications. AT&T is in the process of determining the necessary structural modifications, which may involve reinforcement of the towers or tower foundations or modifications to the other appurtenances, for the **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** latter towers.

In parallel, AT&T continues to pursue lease agreements and amendments to site leases and zoning and permitting approvals to allow AT&T to install the additional antennas and site hardware needed for the HSPA+ technology deployment. AT&T has submitted proposed lease agreements or amendments to the tower owners for **[BEGIN AT&T HIGHLY**

¹¹ Although AT&T already owns the CDMA Sites, it still refers to this phase as “site acquisition.”

¹² Further overlaying LTE on top of HSPA+, as AT&T intends to do for the vast majority of towers, requires one more additional antenna per sector (three incremental).

CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] CDMA Sites; **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** lease agreements or amendments have been signed.

For all **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** CDMA Sites, AT&T either has determined preliminarily that its proposed modifications will not require zoning approvals or has submitted applications for approval. For all but **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** of these CDMA Sites, any necessary zoning approval has been obtained. Likewise, for **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** CDMA Sites, AT&T either has determined that its proposed modifications will not require building permits or has applied for such permits. For all but **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** of these sites, any necessary building permit has been obtained.

Transport Phase

AT&T has completed the Ethernet circuit design and has signed contracts with fiber vendors for over 85 percent of the CDMA Sites. AT&T continues to explore whether vendors will be able to provision fiber to the remaining CDMA Sites. In addition, AT&T is ordering equipment and preparing equipment shelters at the CDMA Sites for installation of Ethernet transport; **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** CDMA Sites are ready for the fiber vendors to complete their installations, to the extent they have not already done so. Indeed, at **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** locations, the fiber vendor has completed its installation. AT&T has completed its testing at **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** locations and determined their circuits are working.

After completing the Site Acquisition and Transport Phases, as well as construction, testing, and optimization activities, AT&T currently projects it will have upgraded **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** CDMA Sites to HSPA+ and integrated them into AT&T's 4G network on or before December 20, 2014.¹³ AT&T expects to integrate the

¹³ In addition to the developments discussed in this report, AT&T will continue to identify any obstacles from third parties (*e.g.*, landlords or zoning or other local regulatory bodies) or structural limits that might prevent the upgrade of a given CDMA Site within this timeframe. It remains foreseeable that such obstacles may emerge for a small number of sites. AT&T will adapt to any such challenge that emerges in order to provide the best customer experience

remaining [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] within four weeks of receiving the necessary permissions to complete the respective upgrades.

AT&T Implementation Status of Its LTE Network Build-Out Commitment: AT&T currently projects that it will satisfy its LTE network build-out Commitment. Satisfaction of this Commitment is measured against the number of Allied cell sites that are in areas where AT&T held AWS or Lower 700 MHz B or C block spectrum as of September 18, 2013, and that will be integrated into the AT&T network. AT&T plans to obtain fiber-based Ethernet-to-the-Cell (“ETTC”) backhaul wherever it is commercially reasonable to do so, based primarily on the availability of Ethernet service providers that possess the necessary expertise and resources to complete this work in rural and isolated locations, where many of the CDMA Sites are located. Of the [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] CDMA Sites,¹⁴ AT&T has identified – and has awarded service contracts for – fiber-based ETTC backhaul solutions for [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] CDMA Sites. Vendors delivered those solutions to [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] CDMA sites through the third quarter of 2014. Based on vendor forecasts, AT&T expects they will deliver solutions to more sites in the fourth quarter of 2014.

Where AT&T has been unable to identify a willing and qualified ETTC service provider, AT&T tentatively has identified Ethernet backhaul via microwave solutions to support the LTE upgrades. These solutions use a point-to-point microwave path between the CDMA Site without fiber-based ETTC and a nearby “drain” site on the integrated network that has fiber-based Ethernet backhaul. Even where a microwave Ethernet solution is feasible, however, AT&T may not be able to deploy it within 18 months of Closing due to the significant time periods required for design, licensing, zoning, and construction.¹⁵

As with the HSPA+ deployment, AT&T will need to obtain site lease agreements or amendments and undertake any necessary structural reinforcements of the towers or tower foundations or modifications of the other appurtenances in order for the towers to bear the additional LTE antennas and equipment. AT&T expects that this work, together with the deployment of high-

practicable and will seek a waiver from the Commission as necessary to be consistent with the Commitments.

¹⁴ Only [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] of these sites are within the LTE Commitment because five are located outside of AT&T’s footprint of AWS or Lower 700 MHz B or C block spectrum, as it existed on September 18, 2013.

¹⁵ For example, the considerable structural modifications required for mounting microwave antennas on towers typically take over six months to complete.

speed backhaul, will proceed rapidly enough at enough sites for AT&T to meet its LTE network build-out Commitment. **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

[END AT&T HIGHLY CONFIDENTIAL INFORMATION]

CUSTOMER MIGRATION

Postpaid Customer Migration:

AT&T Commitment: “Postpaid Customer Migration: At the point that AT&T is ready to transition a postpaid Allied customer to AT&T’s network, AT&T will offer the customer a handset comparable to his or her existing handset at no cost to the customer and without requiring a contract extension. AT&T will provide each customer with a list of comparable handsets from which they may choose at no cost, as well as the option to purchase a different handset. Each Allied customer that chooses a handset from the list provided will receive a new handset. All handsets that AT&T offers Allied customers as comparable replacements for their CDMA devices will be 3G UMTS Terrestrial Radio Access handsets or better. This means that, even if an Allied customer has a 2G handset, the Allied customer will be offered a 3G or better handset at no cost to the customer. Allied customers with CDMA iPhones as of the date of close will be offered the same or a more recent iPhone model that works on AT&T’s network without an additional charge and without having to change their existing rate plans. In addition, as is the case for all Allied customers, customers with iPhones will have the option of upgrading their handset and adopting an AT&T rate plan that is compatible with the upgraded handset.”¹⁷

AT&T Implementation Status: As previously reported, AT&T completed the development, testing and deployment of a “Pre-Selection Tool” to enable Allied postpaid customers to select, at no cost to the customer, a new 3G or 4G device comparable to their current CDMA devices. The Pre-Selection Tool is a database that contains customer information including customer names, the number of wireless lines associated with each account, the make and model of the existing CDMA handsets customers have, and the comparable 3G or 4G devices they may select

¹⁶ **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

HIGHLY CONFIDENTIAL INFORMATION]

¹⁷ *Commitment Letter*, Attachment A, at 3-4; *Order*, 28 FCC Rcd. at 13,722 ¶ 97.

[END AT&T

to replace their CDMA handsets. Migrating subscribers have access to the Tool online, in AT&T retail locations (including former Allied retail locations), or by calling customer service.

As indicated in AT&T's Response to the Information and Discovery Request, the postpaid customer migration is occurring on a rolling market-by-market basis.¹⁸ As discussed in greater detail in AT&T's prior quarterly report, AT&T migrated customers with billing addresses in Ashtabula, Ohio (Ohio 3) to the AT&T network and to AT&T rate plans – either ones that are substantially similar to the customers' prior Allied rate plans or different ones chosen by the customer in the Pre-Selection Tool. In the next areas targeted for migration, AT&T expects to transition former Allied customers to AT&T's network in **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]**. Their transition is expected to be similar to the Ohio 3 migration in its sequence of steps, cadence, and communications.

Prepaid Customer Migration

AT&T Plan: “At closing, Allied prepaid customers will continue to use their service at their current pricing plans. AT&T intends to stop selling new CDMA prepaid services as soon as practicable after closing. Alternative prepaid options will generally be available in the market. To the extent Allied prepaid customers remain active on the CDMA network near the end of the transition period for each market, it is AT&T's intent to make an attractive migration offer to incent those remaining customers to migrate to AT&T's HSPA+ or LTE network. The objective of these efforts is, that at the end of the transition period for each market, no more than 10% of the active Allied prepaid customers at the date of closing will still need to be migrated. AT&T will include in its quarterly progress reports both the efforts undertaken to migrate prepaid customers and its progress in doing so.”¹⁹

AT&T Efforts: At Closing, AT&T acquired approximately **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** active²⁰ former Allied prepaid customers (the “Active Prepaid Base”) in six states including mobile broadband customers. In June 2014, AT&T began the prepaid subscriber migration by informing its prepaid customers in Ohio 3 of AT&T's prepaid migration offer via

¹⁸ Response of AT&T Inc. to Information and Discovery Request Dated June 5, 2013, at 23 (June 19, 2013).

¹⁹ 5th Supplemental Response at 2.

²⁰ AT&T defines an “active” prepaid subscriber as one who on a given date (i) is within the period covered by his or her last payment (“replenishment period”) or (ii) is 59 or fewer days after the expiration of the replenishment period (“grace period”). During the 59-day grace period, a prepaid customer may replenish his or her account and resume service without losing his or her telephone number or acquiring a new handset. For example, if on September 20, 2013, Allied prepaid customer X was in the thirtieth day of a 60-day replenishment period, AT&T would have deemed X an “active” prepaid customer. If X's replenishment period had expired on August 20, 2013, AT&T also would have deemed X “active” as of September 20, 2013, as she would have been in the thirtieth day of the 59-day grace period.

SMS as well as in-store and call center communications. AT&T will begin this process in other areas as the transition proceeds and expects to complete the migration of all former Allied prepaid customers during **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**
[END AT&T HIGHLY CONFIDENTIAL INFORMATION].

AT&T generally ceased sales of new CDMA prepaid service in AT&T retail locations (including former Allied retail locations) as of April 1, 2014. New CDMA prepaid service sold through AT&T's indirect distribution generally ceased as of May 1, 2014. A limited number of exceptions have been made for sales of CDMA prepaid services to avoid hardships for customers. For example, AT&T has sold CDMA prepaid service to customers who frequent areas where AT&T's ongoing HSPA+ build-out had not yet established reliable coverage. Existing customers will continue to be able to add money to their accounts and to use CDMA prepaid service until the AT&T HSPA+ network is available in the customer's area. The chart below presents (by state) the number of active prepaid customers as of the date of Closing, the number of those customers at Closing who left the network through September 30, 2014, and the number of active prepaid customers as of September 30, 2014 (which reflects both added and discontinued subscribers since Closing). In calculating these numbers and in planning to ensure that no more than ten percent of the active Allied prepaid customers at the date of Closing will still need to be migrated at the end of the transition period for each market, AT&T has excluded prepaid customers who are former Allied Lifeline customers because they are the subject of separate, distinct migration plans discussed below.

[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]

[END AT&T HIGHLY CONFIDENTIAL INFORMATION]

Lifeline Customer Migration

AT&T Plan: "Allied Lifeline customers will initially be able to continue to use their phones as they do today. It is AT&T's intent to transfer these customers to a comparable postpaid plan, with a price substantially similar to their Allied Lifeline plan, while they are still supported by Allied's network. Once transferred, they will be treated as postpaid customers for purposes of

the migration to AT&T's network: they will be migrated to a comparable AT&T postpaid plan, with a price substantially similar to the customer's original Lifeline plan, with a comparable device, preselected by AT&T, at no cost. Lifeline customers will also be permitted to terminate service at any time, before migration to AT&T's network, with no ETF so that they may consider alternative Lifeline service providers. AT&T will attempt, to the extent feasible, to provide customers with information about available Lifeline service providers in the market."²¹

AT&T Efforts: At Closing, AT&T acquired 50,628 former Allied Lifeline prepaid customers ("FLL Customers"). As of September 30, 2014, FLL Customers numbered **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]**. Prior to Closing, Allied aggressively targeted Lifeline sales wherever it had an ETC designation. Because Allied's ETC designations were not transferred to AT&T at Closing or were relinquished promptly thereafter, Lifeline sales ceased, resulting in no new Lifeline subscribers to offset churn.

FLL Customers continue to use their CDMA handsets as they did prior to Closing. AT&T is making progress towards implementing the first step of its two-step migration of FLL Customers. During the preceding quarter, after providing advance notice to the FLL Customers, AT&T continued to migrate them to Allied postpaid rate plans with prices substantially similar to the prepaid Lifeline plans to which they had subscribed. As of September 30, 2014, **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** FLL customers have been migrated to the new postpaid plans. Migration efforts will continue in the fourth quarter of 2014. FLL Customers will be able to keep these postpaid plans and to continue using their current CDMA handsets while they are still supported by the CDMA network.

In the second step of the migration, remaining FLL Customers are being migrated to AT&T's network in the same manner as all other Allied postpaid subscribers, except that FLL Customers are receiving a comparable device, at no cost, preselected by AT&T.

²¹ *5th Supplemental Response at 3.*