

**AT&T QUARTERLY REPORT REGARDING TRANSFER OF LICENSES  
FROM ALLIED TO AT&T, COVERING THE TIME PERIOD OF  
OCTOBER 1-DECEMBER 31, 2014**

**SUBMITTED JANUARY 30, 2015**

**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”).<sup>1</sup> 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 customers<sup>2</sup> 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”).<sup>3</sup> 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.<sup>4</sup> 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, Third Quarterly Progress Report on July 30, 2014, and Fourth Quarterly Progress Report on October 30, 2014. This is AT&T’s Fifth Quarterly Progress Report covering the time period October 1-December 31, 2014. It details AT&T’s progress towards implementing the Commitments and AT&T’s customer migration plans as of December 31, 2014, except where a later date is specified.

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<sup>1</sup> *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*”).

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

<sup>3</sup> *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*”).

<sup>4</sup> *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 December 31, 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, the transition is not yet complete. 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."<sup>5</sup>

**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 December 31, 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."<sup>6</sup>

**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

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

<sup>6</sup> *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.”<sup>7</sup>

***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.<sup>8</sup> Of these [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] sites, AT&T has upgraded [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] sites (the “CDMA Sites”) to HSPA+ and completed their integration into AT&T’s network within 15 months of Closing (December 20, 2014). These upgrades substantially fulfill AT&T’s HSPA+ Build-Out Commitment.<sup>9</sup>

***AT&T Implementation Status of Its LTE Network Build-Out Commitment:*** AT&T offers LTE service at [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] CDMA Sites and 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

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

<sup>8</sup> Fourth Quarterly Progress Report at 3; *see also* First Quarterly Progress Report at 2; Second Quarterly Progress Report at 2. In the Fourth Quarterly Progress Report, AT&T advised the Commission that the owner of one tower had been unwilling to amend the lease to permit AT&T to deploy HSPA+ and LTE service. Fourth Quarterly Progress Report at 3. That owner remains unwilling to do so.

<sup>9</sup> In the Fourth Quarterly Progress Report, AT&T notified the Commission of four sites it intends to integrate into its network for which third-party consents are required before AT&T can upgrade the sites. Fourth Quarterly Progress Report at 3-4. AT&T believes that it will have deployed HSPA+ at the [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] although the tower owner is taking longer to approve the lease amendment and structural modifications than AT&T had expected as of the previous quarterly progress report. For the three [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] has not provided any further update on the timing of its approval for the upgrade. Meanwhile, AT&T has taken all the steps toward the upgrade of these sites that it can take without such approvals. AT&T continues to expect to integrate these sites within four weeks of receiving the necessary permissions.

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.

### Transport

Of the [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] CDMA Sites that AT&T is integrating into its 4G network,<sup>10</sup> 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 fourth quarter of 2014. Based on vendor forecasts, AT&T expects they will deliver solutions to the remaining [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] sites before March 20, 2015.

Where AT&T has been unable to identify a willing and qualified ETTC service provider, AT&T is pursuing alternate solutions for the enhanced transport needed for LTE. AT&T has identified Ethernet backhaul via microwave solutions to support the LTE upgrades at [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] sites. 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. AT&T expects to be able to deploy about half of the microwave Ethernet links within 18 months of Closing, with the remainder being deployed later in 2015 due to the significant time periods required for design, licensing, zoning, and construction.<sup>11</sup>

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<sup>10</sup> Only [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] of these sites are within the LTE Commitment because eight 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. (In previous quarterly progress reports, AT&T mistakenly had stated there were five sites outside that footprint.) Nevertheless, AT&T currently expects to deploy LTE at these eight CDMA Sites using a different spectrum band.

<sup>11</sup> For example, the considerable structural modifications required for mounting microwave antennas on towers typically take over six months to complete. [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]

Sites

As it did with the HSPA+ deployment, AT&T has needed to obtain site lease agreements or amendments and to 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.<sup>12</sup> AT&T has received completed structural load analyses for all but [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] of the towers. Of the towers requiring structural modifications for the LTE upgrade, that work remains to be completed at [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION].

In parallel, AT&T continues to pursue lease agreements and amendments to site leases as well as zoning and permitting approvals to allow AT&T to install the additional antennas and site hardware needed for the LTE deployment. For [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] CDMA Sites, the lease agreements or amendments have not been completed yet.

For [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 received the required approvals. 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 received such permits.

AT&T expects that this remaining site work, together with the deployment of high-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]

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[END AT&T HIGHLY CONFIDENTIAL INFORMATION]

<sup>12</sup> Deploying LTE at a site requires one additional antenna per sector (for a total of three per tower) as well as other equipment.

<sup>13</sup> [BEGIN 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.”<sup>14</sup>

**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 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.<sup>15</sup> As discussed in greater detail in AT&T’s Third Quarterly Progress Report,<sup>16</sup> 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 past quarter, AT&T transitioned former Allied customers to AT&T’s network in Idaho, in the remainder of Ohio, and in Illinois. Their transitions were similar to the Ohio 3 migration in its sequence of steps, cadence, and communications. AT&T is transitioning the remaining former Allied postpaid customers  
[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]

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[END AT&T HIGHLY CONFIDENTIAL INFORMATION]

<sup>14</sup> *Commitment Letter*, Attachment A, at 3-4; *Order*, 28 FCC Rcd. at 13,722 ¶ 97.

<sup>15</sup> Response of AT&T Inc. to Information and Discovery Request Dated June 5, 2013, at 23 (June 19, 2013).

<sup>16</sup> Third Quarterly Progress Report at 9.

[END AT&T HIGHLY CONFIDENTIAL INFORMATION]; these transitions likewise will be similar in the 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.”<sup>17</sup>

**AT&T Efforts:** At Closing, AT&T acquired approximately [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] active<sup>18</sup> 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 SMS as well as in-store and call center communications. AT&T began this process in the remaining markets in the past quarter. When a market begins its transition, former Allied prepaid customers are not automatically migrated to AT&T’s network like postpaid customers. Prepaid customers must choose to migrate to AT&T or another carrier, or eventually run out of minutes. AT&T 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 subsequently were made for sales of CDMA prepaid services to avoid hardships for customers. For example, AT&T sold CDMA prepaid service to customers who frequent areas

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<sup>17</sup> 5th Supplemental Response at 2.

<sup>18</sup> 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.

where AT&T's ongoing HSPA+ build-out had not yet established reliable coverage. Now that that build-out has been completed, AT&T does not expect to make any further exceptions. Likewise, existing customers have stopped being able to add money to their accounts as AT&T's HSPA+ network became available in the customer's area (as of December 31, 2014, only South Carolina customers still could add money to their CDMA prepaid accounts, and they stopped being able to do so on January 4, 2015). While customers with money in their accounts still can use CDMA prepaid service, they will not be able to do so as of February 23, 2015.

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 December 31, 2014, and the number of active prepaid customers as of December 31, 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.”<sup>19</sup>

**AT&T Efforts:** At Closing, AT&T acquired 50,628 former Allied Lifeline prepaid customers (“FLL Customers”). As of December 31, 2014, no FLL customer continues to receive Allied Lifeline prepaid service. AT&T has migrated [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] FLL Customers to Allied postpaid rate plans with prices substantially similar to the prepaid Lifeline plans to which they had subscribed. (AT&T provided these customers with advance notice prior to their migration.) The remaining FLL customers voluntarily chose alternative services.

FLL Customers have been able to keep the Allied postpaid plans to which they were migrated and to continue using their current CDMA handsets for so long as postpaid customers in their market were or are (as the case may be) 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.

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<sup>19</sup> *5th Supplemental Response at 3.*