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October 24, 2001

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BY HAND DELIVERY

01-3151

Erin McGrath
Policy Division
Wireless Telecommunications Bureau
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20006

Re: Applications for Consent to Assignment of Licenses from TeleCorp PCS, Inc. and AT&T Wireless Services, Inc. (File Nos. 0000635066 *et al.*)

Dear Ms. McGrath:

For your reference and convenience, I have enclosed four bound courtesy copies of the divestiture applications seeking FCC consent to the assignment of certain licenses from licensee subsidiaries of TeleCorp PCS, Inc. and AT&T Wireless Services, Inc.

Should any questions arise concerning these applications, please contact the undersigned at 202.719.7534.

Respectfully yours,

Nicole M. McGinnis

Nicole M. McGinnis

Enclosure

DELIVER TO: Erin McGrath
Policy Division
Wireless Telecommunications Bureau
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20006

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Washington, D.C. 20554

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OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Applications for Consent to the Transfer of Control of Licenses	)	
	)	
TeleCorp PCS, Inc. et al. (collectively, "TeleCorp"), Transferors	)	File Nos. 0000634850 *et al.*
	)	
AT&T Wireless Services, Inc. Transferee	)	

WT 01-315

APPLICATIONS AND PUBLIC INTEREST STATEMENT

DESCRIPTION OF THE TRANSACTION, PUBLIC INTEREST SHOWING AND RELATED DEMONSTRATIONS

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TABLE OF CONTENTS

Common Application Exhibits

Exhibit I: Public Interest Showing 1

Exhibit II: Designated Entity Issues/Unjust Enrichment 2

Exhibit III: Merger Agreement 3

Exhibit IV: FCC Form 602 4

Exhibit V: ULS Waiver Request 5

Schedules A through G 6

Applications

Transfer of Control of AirCom, Inc. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634824) ..... A

Transfer of Control of DigiCall, Inc. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634838) ..... B

Transfer of Control of DigiCom, Inc. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634842) C

Transfer of Control of QuinCom, Inc. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634843) ..... D

Transfer of Control of TeleCorp Communications, Inc. (SGIN 000) from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634892) ..... E

Transfer of Control of TeleCorp Communications, Inc. (SGIN 002) from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634914) ..... F

Transfer of Control of TeleCorp Holding Corp. II, L.L.C. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (ULS) (File No. 0000634850) ..... G

Transfer of Control of TeleCorp Holding Corp. II, L.L.C. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (Manual Filing) ..... H

Transfer of Control of TeleCorp LMDS, Inc. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634894) I

Transfer of Control of TeleCorp of Puerto Rico, Inc. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634851) ..... J

Transfer of Control of TeleCorp PCS, L.L.C., Inc. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634855) ..... K

Transfer of Control of Tritel A/B Holding Corp. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (ULS) (File No. 0000634859) L

Transfer of Control of Tritel A/B Holding Corp. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (Manual Filing) ..... M

Transfer of Control of Tritel C/F Holding Corp. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634866) ..... N

Transfer of Control of Wisconsin Acquisition Corp. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634869) ..... O

Transfer of Control of Zephyr Wireless, L.L.C. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. (File No. 0000634910) ..... P

Transfer of Control of Section 214 Authorization of TeleCorp PCS, Inc. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. ..... Q

Transfer of Control of Section 214 Authorization of TeleCorp Communications, Inc. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. ..... R

Transfer of Control of Section 214 Authorization of Tritel Communications, Inc. from TeleCorp PCS, Inc. to AT&T Wireless Services, Inc. ..... S

PUBLIC INTEREST STATEMENT

I. INTRODUCTION

Applicants AT&T Wireless Services, Inc. ("AT&T Wireless"), TeleCorp PCS, Inc. ("TeleCorp"), and the TeleCorp licensee subsidiaries (collectively, "TeleCorp Subs")[1/] seek approval for the transfer of control, from TeleCorp to AT&T Wireless, of the licenses held by the TeleCorp Subs and detailed in the attached FCC Form 603.[2/] In support of this transfer, the Applicants provide the following description of the merger's competitive effects and public interest benefits according to the framework set forth in the Bell Atlantic/NYNEX merger order.[3/]

[1/] The TeleCorp licensee subsidiaries include TeleCorp Holding Corp. II, L.L.C.; TeleCorp PCS, L.L.C.; TeleCorp of Puerto Rico, Inc.; TeleCorp Communications, Inc.; Wisconsin Acquisition Corp.; Tritel A/B Holding Corp.; Tritel C/F Holding Corp.; AirCom PCS, Inc.; DigiCall, Inc.; DigiCom, Inc.; and QuinCom, Inc. Separate FCC Form 603 applications are being simultaneously filed for each licensee subsidiary.

[2/] Applicants hereby request that the grant of the instant application include the authority for AT&T Wireless to acquire control, to the extent permitted by the Commission's rules, of (1) any authorization issued to the Applicants during the pendency of transfer applications or during the period required for consummation of the transaction following approval; (2) construction permits held by such licensees that mature into licenses after closing and that may have been omitted from the applications; and (3) applications that will have been filed by such licensees and that are pending at the time of consummation of the proposed transaction. Such action would be consistent with prior Commission decisions. See, e.g., In re PacifiCorp Holdings, Inc. Transferor, and Century Telephone Enterprises, Inc. Transferee, 13 FCC Rcd 8891, 8915-16 (1997) ("PacifiCorp Holdings"); Applications of Pacific Telesis Group and SBC Communications, Inc., 12 FCC Rcd 2624, 2665 (1997). TeleCorp has either filed construction notifications for, or filed applications to spin-off, all of its designated entity licenses.

[3/] See In re Applications of NYNEX Corporation and Bell Atlantic Corporation For Consent to Transfer Control of NYNEX Corporation and Its Subsidiaries, 12 FCC Rcd 19985 (1997) ("Bell Atlantic/NYNEX"); see also In re Applications of Voicestream Wireless Corporation, Powertel, Inc., Transferors, and Deutsche Telekom AG, Transferee, for Consent to Transfer Control of Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act and Petition for Declaratory Ruling Pursuant to Section 310 of the Communications Act, 16 FCC Rcd 9779 (2001) ("Voicestream/DT"); In re Applications of Motorola, Inc.; Motorola SMR, Inc.; and Motorola Communications and Electronics, Inc. Assignors; and FCI 900, Inc. Assignee, For Consent to Assignment of 900 MHz Specialized Mobile Radio Licenses, 16 FCC Rcd 8451 (2001), rehearing

As a preliminary matter, this merger is manifestly in the public interest and the processing of these applications should raise no significant regulatory issues:

- TeleCorp operates as a name brand affiliate of AT&T Wireless and, due to franchising considerations, TeleCorp's operations do not overlap with the operations of AT&T Wireless.

- Because AT&T Wireless already owns 23 percent of TeleCorp's voting stock and has the right to appoint three of thirteen seats on TeleCorp's board, AT&T Wireless has an attributable interest in TeleCorp for spectrum cap purposes, and the proposed merger therefore does not increase the spectrum attributable to AT&T Wireless.[4/]

Under these circumstances, a complete Bell Atlantic/NYNEX analysis of competitive issues is unnecessary.[5/] Nevertheless, in the interest of providing the Commission with fullest possible

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denied, DA 01-1903 (2001) ("Motorola/Nextel"); In re Applications of SBC Communications Inc. and Bellsouth Corporation For Consent to Transfer of Control or Assignment of Licenses and Authorizations, 15 FCC Rcd 25459 (2000) ("SBC/BellSouth"); In re Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License, 15 FCC Rcd 14032 (2000) ("GTE/Bell Atlantic").

[4/] See 47 C.F.R. § 20.6(d) (attribution rules). With only limited exceptions discovered during due diligence on this transaction and described below, AT&T Wireless's spectrum holdings, including the TeleCorp spectrum attributed to it, are at or below the FCC's spectrum cap in each of their markets. See 47 C.F.R. § 20.6. As described below, in markets where the combined spectrum exceeds the cap AT&T Wireless is proposing to divest the excess amount to a trust.

[5/] Compliance with the spectrum cap should be sufficient to address any competitive concerns. See Amendment of Parts 20 and 24 of the Commission's Rules, 11 FCC Rcd 7824, 7869 ¶ 95 (1996) ("We adopted the [cap] to discourage anti-competitive behavior while at the same time maintaining incentives for innovation and efficiency."). While the Commission has expressly reserved the right to review the competitive effects of a transaction in which the party acquiring spectrum remains at or below the spectrum cap, it has not contemplated a situation in which the acquirer was expressly not adding new spectrum to its existing holdings. Cf. 1998 Biennial Regulatory Review Spectrum Aggregation Limits for Wireless Telecommunications Carriers, 15 FCC Rcd 9219, 9244-45 n.138 (1999) (noting that "transfers resulting in consolidation of spectrum below the spectrum cap should not necessarily be exempt from section 310(d) review) (emphasis added) ("1998 Biennial Review"). AT&T Wireless, by contrast, already holds an attributable interest in the spectrum of the acquired company. The instant merger therefore does not result in any new consolidation of spectrum.

record in support of the transaction, the parties will provide the Commission with information upon which to undertake a Bell Atlantic/NYNEX-type analysis.

The wireless marketplace is characterized by robust competition,[6/] as the number of nationwide providers delivering mobile services increases.[7/] More than 90 percent of the total U.S. population has access to three or more mobile telephony operators; 75 percent live in areas with five or more choices; and almost half have at least six choices.[8/] As the Commission has noted, "increased competition and innovation are evidenced by lower prices for consumers and increased diversity of service offerings,"[9/] and prices continue to fall.[10/]

Against this backdrop, the merger of AT&T Wireless and TeleCorp seamlessly integrates two affiliated service providers in complementary geographic areas. The result will be a stronger company that can compete more effectively with other national wireless providers. Consumer benefits will flow from the merged entity's enhanced economies of scale and scope, including greater purchasing and billing system efficiencies and reductions in common and duplicative expenses. Investment in new technology will also speed the rollout of "3G" advanced wireless services. And TeleCorp customers will be able to take advantage of even more attractive, seamless offers under the strong AT&T Wireless brand.

6/ See In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Conditions with Respect to Commercial Mobile Services, 16 FCC Rcd 13350, 13432 (2001) ("Sixth Annual CMRS Report").

7/ Id. at 4-5. Personal Communications Services ("PCS") and Specialized Mobile Radio ("SMR") providers both compete directly with cellular telephone providers ("CMRS"). Indeed, from a consumer's perspective, broadband PCS and cellular are substitutes. Id. at 4.

8/ Id. at 6.

9/ Id. at 4-5. See also id. at 6.

10/ Id. at 6.

Applicants seek authority to transfer to AT&T Wireless Part 24 broadband PCS (including Part 101 point-to-point microwave licenses used in connection therewith), local multipoint distribution service ("LMDS") and 39 GHz licenses currently held by the TeleCorp subs. Applications to transfer TeleCorp's three international 214 authorizations to AT&T Wireless are being simultaneously filed with the Commission. The TeleCorp LMDS and 39 GHz licenses are not operational; AT&T Wireless has LMDS licenses that are not operational and do not overlap with TeleCorp's LMDS licenses, either. Under these circumstances, the transfer of the LMDS and 39 GHz licenses presents no issues for further analysis.[11/]

The Commission itself has recognized that the efficiencies of larger footprints and the marketing possibilities of multiple product offerings that mergers such as this make possible.[12/] As detailed herein, by integrating AT&T Wireless and TeleCorp, the merger will enhance competition for the delivery of interconnected mobile telephone services and therefore promote the public interest. Accordingly, the Commission should approve this application.

[11/] The relevant market for LMDS has not evolved sufficiently so as to predict future competitive conditions with any certainty. See Amendment to the Commission's Rules to Permit Flexible Service Offerings in the Commercial Mobile Radio Services Market, 15 FCC Rcd 14680 (2000). Especially in the absence of spectrum aggregation limits for LMDS, analysis of this application properly should focus upon the other licenses at issue. Accord Voicestream/DT, 16 FCC Rcd at 9783 ¶ 4, 9825 ¶81 (treating LMDS as a "supporting service" and not inquiring further).

[12/] See Sixth Annual CMRS Report, 16 FCC Rcd at 13; see also In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, 13 FCC Rcd 19746 at 17669 (2000) ("Fifth Annual CMRS Report"); In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, 15 FCC Rcd 17660 (1998) ("Third Annual CMRS Report").

II. DESCRIPTION OF THE PARTIES

A. AT&T Wireless

AT&T Wireless is the largest independent wireless carrier in the United States. It was spun off from AT&T Corp. on July 9, 2001. The company operates one of the largest digital wireless networks in North America. With more than 16.4 million subscribers, AT&T Wireless is committed to being among the first to deliver the next generation of wireless products and services. Today, AT&T Wireless offers customers high-quality mobile wireless voice and data communications services to businesses or consumers, in the U.S. and internationally. The company's innovative "Digital One Rate" national calling plan revolutionized the wireless industry -- and continues to spur competition -- by eliminating roaming and long-distance fees for all domestic calls across the country.

B. TeleCorp PCS

TeleCorp is AT&T Wireless' largest affiliate, serving nearly one million customers in fourteen states from the Great Lakes to the Gulf of Mexico. As an affiliate, TeleCorp markets its services under the "SunCom" brand in connection with AT&T Wireless. The company provides its digital wireless services in selected markets in fourteen states and the Commonwealth of Puerto Rico.

III. DESCRIPTION OF THE TRANSACTION

AT&T Wireless and TeleCorp have entered into an Agreement and Plan of Merger[13/] by which AT&T Wireless will acquire TeleCorp in an all-stock transaction valued at $4.7 billion.

[13/] Certain authorizations held by TeleCorp or its affiliates were awarded pursuant to the auction process less than three years ago. In accordance with section 1.2111(a) of the Commission's rules, a copy of the

AT&T Wireless will acquire the 77 percent of the company it does not already own for AT&T Wireless common stock currently valued at $2.4 billion and assume $2.1 billion in net debt and approximately $221 million in preferred securities.[14/] The transaction affords AT&T Wireless a 20 percent expansion of its existing footprint, adding 32 million covered POPs in fourteen states and the Commonwealth of Puerto Rico.

IV. PUBLIC INTEREST ANALYSIS

In the Bell-Atlantic/NYNEX merger,[15/] the Commission used a four-part framework to conduct its public interest analysis of the competitive effects of the proposed merger. First, the Commission defined the relevant product and geographic markets. Second, the Commission identified the current and potential participants in each relevant market, focusing on those likely to have a significant competitive impact. Third, the Commission evaluated the competitive effects the merger may have in the relevant markets. Fourth, the Commission considered possible merger-specific efficiencies resulting from the transaction such as cost reductions, productivity enhancements, or improved incentives for the parties.

For the reasons set out above, a complete Bell Atlantic/NYNEX review is not required for this transaction. If the Commission were to perform such a review, however, the following

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Agreement and Plan of Merger giving rise to this transaction is attached to this exhibit. See 47 C.F.R. § 1.2111(a).

[14/] The merger will be accomplished by TeleCorp merging with TL Acquisition Corp., a wholly owned subsidiary of AT&T Wireless. TeleCorp will be the surviving corporation. Upon the effective date of the merger, each share of TeleCorp stock will be exchanged for AT&T Wireless stock. As a result, TeleCorp will become a wholly owned subsidiary of AT&T Wireless.

[15/] Bell Atlantic/NYNEX, 12 FCC Rcd 19995. See also In re Applications of Pittencrieff Communications, Inc. and Nextel Communications, Inc. For Consent to Transfer Control of Pittencrieff Communications, Inc. and its Subsidiaries, 13 FCC Rcd 8935 (1997) ("Pittencrieff"); Voicestream/DT, 16 FCC Rcd at 9789 ¶ 17; Motorola/Nextel, 16 FCC Rcd at 8460 ¶ 9; SBC/BellSouth, 15 FCC Rcd at 25464 ¶ 13; GTE/Bell Atlantic, 15 FCC Rcd at 14046 ¶ 22.

analysis demonstrates that the proposed merger of AT&T Wireless and TeleCorp will not adversely affect competition in the relevant markets and will in fact provide substantial pro-competitive benefits. As the analysis makes clear, the proposed merger is in the public interest and should be approved.

V. COMPETITIVE ANALYSIS

A. Product and Geographic Markets

The Commission has defined a relevant product market as a product or group of products for which there no close substitutes in demand.[16/] AT&T Wireless and TeleCorp each provide mobile wireless communications services to businesses and consumers. A properly defined geographic market aggregates consumers that face similar choices regarding vendors of a particular product or service.[17/]

1. Interconnected Mobile Telephone Services

Both AT&T Wireless and TeleCorp provide interconnected mobile telephone services. This product market consists of all commercial, two-way mobile telephone services that are interconnected to the public switched network.[18/] These services include cellular, broadband PCS, and interconnected digital specialized mobile radio services ("SMRS").[19/] Wireline services are not included within this product market because the Commission currently does not

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[16/] Pittencrieff, 13 FCC Rcd at 8944 ¶ 18; Motorola/Nextel, 16 FCC Rcd at 8460 ¶ 9.

[17/] Pittencrieff, 13 FCC Rcd at 8951 ¶ 37; PacifiCorp Holdings, 13 FCC Rcd at 8903-04 ¶ 22; Motorola/Nextel, 16 FCC Rcd at 8483 ¶ 25.

[18/] See PacifiCorp Holdings, 13 FCC Rcd at 8906 ¶ 28; See also Sixth Annual CMRS Report, 16 FCC Rcd at 13359 (overview of the CMRS industry). The formation of national and near-national competitors has led to a market that is less "local" in scope than ever before.

treat wireline and mobile services as presently interchangeable.[20/] AT&T Wireless holds PCS licenses and cellular licenses that are used to provide mobile telephone services. TeleCorp also holds PCS licenses. Presently, AT&T Wireless and TeleCorp do not compete directly for customers in any local market.

2. *Other Services*

AT&T Wireless provide long distance services to its customers.[21/] AT&T Wireless also offers customers cellular digital packet data ("CDPD") wireless data transmission.[22/] Using CDPD, AT&T launched its voice and Internet-ready service, "PocketNet," in October 1997. PocketNET is available in over one hundred markets across the country. AT&T Wireless also offers fixed wireless (data and voice) and air-to-ground wireless services.[23/]

[19/] In addition, the Commission has also made spectrum available for the provision of wireless services such as Wireless Communications Services. See In the Matter of Amendment of the Commission's Rules to Establish Part 27, the Wireless Communications Service ("WCS"), 12 FCC Rcd 10785 (1997).

[20/] See, e.g., Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, First Report and Order, 11 FCC Rcd 15499, 15995-96 ¶ 1004 (1996) (declining to treat CMRS providers as local exchange providers), vacated in part on other grounds, Iowa Utilities Bd. v. FCC, 120 F.3d 753 (8th Cir. 1997), appeal pending sub nom. Iowa Utilities Board v. Federal Communications Commission, 219 F.3d 744 (2000), cert. granted January 22, 2001, 2001 U.S. LEXIS 947, oral argument October 10, 2001. See also Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, Notice of Proposed Rulemaking, 11 FCC Rcd 14171, 14175-76 ¶ 7 (1996) (stating that substantial investment will be required before wireless systems are capable of providing a substitute for wireline services); Sixth Annual CMRS Report, 16 FCC Rcd at 13382 (approximately 3 percent of mobile telephone subscribers rely on their wireless phone as their only phone). But see Sixth Annual CMRS Report, 16 FCC Rcd at 13382 (discussing the boom in non-business use of wireless telephony).

[21/] The Commission has previously found that this service constitutes a distinct product market. See Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area and Policy and Rules Concerning the Interstate, Interexchange Marketplace, 12 FCC Rcd 15756, 15762 ¶ 5, 15787 ¶ 54 (1997).

[22/] See Third Annual CMRS Report, 15 FCC Rcd at 17718.

[23/] Applicants also request transfer of certain LMDS and 39 GHz licenses from TeleCorp to AT&T Wireless. Because these licenses do not overlap in any relevant geographic market, and in any case are

3. Relevant Markets

For the purposes of this review, the relevant market is commercial mobile radio services ("CMRS"), i.e., interconnected mobile telephone services, provided to subscribers in markets nationwide. There are at least six national providers of such service, including AT&T Wireless. TeleCorp is not a national provider of CMRS. Significantly, AT&T Wireless and TeleCorp do not compete against each other in any geographic area for the delivery of this or any service. To the contrary, the wireless service areas of the two companies are entirely complementary.

B. Current and Potential Market Participants

The relevant product markets in this transaction are all characterized by relative ease of entry and the potential for increased competition from new market participants.[24/] The merged company will face robust competition in the CMRS market from other cellular, PCS, and SMR providers. Cingular, Verizon, Nextel, Sprint PCS and Voice Stream are all investing heavily to expand services on a national basis. The Commission has found that the market for mobile telephony is highly competitive.[25/] Subscriber growth has continued at record levels.[26/] Minutes of use are increasing, while prices are falling.[27/] Providers are expanding their footprints,[28/] and

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not being used to provide services to the public, their transfer does not create any issues for purposes of Bell Atlantic/NYNEX review. See supra n.11.

[24/] In past merger analysis involving the monopolized landline local exchange markets, the Commission has defined market participants to include both "actual competitors" and "precluded competitors," viz., those entrants precluded from the wireline markets prior to 1996. In Pittencrieff, the Commission refused to consider precluded competitors in the mobile phone services context because the wireless markets are more competitive, and subject to less restrictive regulatory barriers. Pittencrieff, 13 FCC Rcd at 8942 ¶ 14. Instead of precluded competitors, the Commission focused on potential market participants. Id.

[25/] Sixth Annual CMRS Report, 16 FCC Rcd at 13371.

[26/] Id.

[27/] Id. at 22-23, 28.

entry "continues to reduce prices."[29/] Moreover, "the continued rollout of differentiated pricing plans" indicates a competitive marketplace.[30/] Thus, the current merger takes place in a dynamic market already characterized by robust competition. There is nothing specific to this merger that will reduce competition among these providers; in fact, the merger will make AT&T Wireless a more effective competitor and benefit consumers as a result.[31/]

C. Competitive Effects

The proposed transaction will not affect competition adversely in any relevant product market, and in fact will further the public interest by expanding consumer choice and enhancing the quality of existing services. Under the Commission's rules, AT&T Wireless is already attributed with TeleCorp's spectrum.[32/] The merger allows AT&T Wireless to unlock the full potential of the spectrum by integrating TeleCorp's operations and maximizing its nationwide footprint. Because of the existence of so many other strong competitors, however, this merger does not give AT&T Wireless any increased ability to price strategically, nor increase the potential of coordinated interaction.[33/]

D. Spectrum Cap Issues

During the Applicants' due diligence prior to the announcement of this transaction, several markets were discovered in which their combined spectrum holdings exceeded the FCC's

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[28/] Id. at 25-27.

[29/] Id. at 28.

[30/] Id.

[31/] Cf. Third Annual CMRS Report, 15 FCC Rcd at 17679 (discussing price competition among service providers).

[32/] See supra n.4.

spectrum cap. In those geographic markets, Applicants propose to disaggregate sufficient spectrum to bring the merged entity within the spectrum cap limits. Pursuant to the Commission's rules, Applicants request authority to assign such spectrum as exceeds the Commission's limits in each market into a fully independent divestiture trust prior to closing the transaction.[34/] A request for such approval is being made concurrently with this application. Under the terms of the Trust Agreement, the trustee would be required to sell the rights to this excess spectrum to an entity or entities unaffiliated with the merged entity no later than 180 days after the spectrum is transferred to the trust. The Commission has previously authorized the use of divestiture trusts of similar duration and structure to insulate spectrum from attribution.[35/]

The proposed divestiture trust plainly services the public interest. It will ensure that customers do not suffer any disruption in service, and that they benefit as soon as possible from the merger. The arrangement also raises no competitive concerns because of the insulated nature of the trust and the independence of the trustee. Finally, as noted above, none of the spectrum cap issues addressed by the divestiture trust actually arise from the proposed merger; grant of the

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[33/] See In re Applications of Teleport Communications Group, Inc. and AT&T Wireless Corp., 13 FCC Rcd 15236, 15258 ¶ 40 (1998) ("Teleport").

[34/] See 47 C.F.R. § 20.6(e)(4).

[35/] See, e.g., In re Applications of GTE Corporation, Vodafone AirTouch Plc and Bell Atlantic Corporation, 15 FCC Rcd 11608 (2000); In re Applications for Vanguard Cellular Systems, Inc., Transferor, and Winston, Inc., Transferee, for Consent to Transfer of Control of Licenses and Authorizations, 14 FCC Rcd 3844 (1999); Shareholders of Jacor Communications, Inc., 14 FCC Rcd 6867 (1999); Tele-Communications, Inc., 14 FCC Rcd 3160 (1999); Stockholders of Infinity Broadcasting, 12 FCC Rcd 5012 (1996); Letter to Philip V. Permut from Gregory J. Vogt, Chief, Mobile Services Division (Mar. 4, 1991); Shareholders of American Radio Systems Corp., 13 FCC Rcd 12430 (1988); Lorimar Telepictures Corporation, 3 FCC Rcd 6250 (1988); Reexamination of the Commission's Rules and Policies Regarding the Attribution of Ownership Interests, 97 FCC 2d 997 (1984). See also 1998 Biennial Review, 15 FCC Rcd 9219, 9269 (divestiture trustee has six months to complete an orderly sale of spectrum rights)

assignment of spectrum to the trust would remove a potential impediment to the closing of a transaction that promises substantial public interest benefits.

Applicants seek authority to continue to hold the excess spectrum until it is transferred to the divestiture trust. If a waiver of the Commission's rules is necessary in connection with such authority, Applicants hereby request one.[36/] Such a waiver will serve the public interest by facilitating the instant transaction and making possible the benefits described herein.[37/] Given the limited scope and duration of such a waiver, the public would not be harmed by granting Applicants' request.

Applicants note that the Commission is currently considering whether to modify or repeal its spectrum cap rules.[38/] Applicants therefore request authority to structure the divestiture trust so that, in the event that the Commission relaxes the spectrum cap during the pendency of this application, the trustee may return back to AT&T Wireless any spectrum allowed under the revised rules.

E. Merger-Specific Benefits

The proposed merger is a direct result of the Commission's wireless marketplace reforms. Consumers are enjoying increasing choices in the wireless market as new regional and national providers emerge, encouraged by the deregulation afforded by Congress in 1993 and by the Commission. As providers consolidate and service territories expand, services can be delivered

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36/ See 47 C.F.R. § 1.3.

37/ See 47 C.F.R. § 20.6 note 3. See also WAIT Radio v. FCC, 418 F.2d 1153, 1159 (D.C. Cir. 1969), cert. denied, 409 U.S. 1027 (1972).

38/ See In the Matter of 2000 Biennial Regulatory Review, Spectrum Aggregation Limits For Commercial Mobile Radio Services, 16 FCC Rcd 2763 (2001).

at higher quality and a lower cost than is possible by relying on roaming agreements.[39/] Bringing together TeleCorp and AT&T Wireless will accordingly result in significant benefits to consumers.[40/]

The merger will expand AT&T Wireless' footprint by 32 million covered POPs in fourteen states and the Commonwealth of Puerto Rico. AT&T Wireless and TeleCorp are already committed to the same "3G" technology strategy, and the integrated network facilitated by the merger will foster the more rapid roll-out of this technology and result in other system-wide efficiencies.[41/] Uniform engineering and management, common purchasing, and integrated marketing efforts will drastically reduce administrative costs. Integration will also facilitate the deployment of advanced digital facilities and the services they make possible. Customers will benefit from the widespread introduction and availability of new offerings under the strong AT&T Wireless brand. The Commission has already recognized that the public interest is serviced by the benefits resulting from integration of wireless operations.[42/] The efficiencies of

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[39/] See Pittencrieff, 13 FCC Rcd at 8952 ¶ 38.

[40/] Where a merger is unlikely to result in any anti-competitive effects, the Commission does not require a detailed recitation of the merger's public interest benefits. Teleport, 13 FCC Rcd at 15262 ¶ 48.

[41/] The Commission has recognized that the cost savings and increased revenue opportunities that result from such integration allow companies to provide "higher quality and more reliable services" than each company is able to offer on their own. In the Matter of Application of WorldCom, Inc. and MCI Communications Corporation for Transfer of Control of MCI Communications Corporation to WorldCom, Inc, 13 FCC Rcd 18025, 18138 ¶ 199 (1998).

[42/] See, e.g., Third Annual CMRS Report, 15 FCC Rcd at 17665; Bell Atlantic Mobile/NYNEX Mobile, 10 FCC Rcd 13368, 13384-85 at ¶ 46 (1995).

integration are increasingly important in a wireless market characterized by vigorous competition among national providers.[43/]

VI. OTHER ISSUES

TeleCorp holds some "closed" C and F block PCS licenses. Consistent with the Commission's rules, TeleCorp is transferring to AT&T Wireless only those licenses for which it has satisfied the five-year construction requirement. Closing of this transaction will be contingent on payment by AT&T Wireless of any outstanding installment debt on the transferred licenses and any bidding credits that have not already been repaid. These issues are addressed more fully in Exhibit II to the Applications.

VII. CONCLUSION

For the foregoing reasons, this transaction will serve the public interest, convenience and necessity. The Applicants therefore respectfully request that the Commission expeditiously grant this application.

WDC 225118v2

[43/] Third Annual CMRS Report, 15 FCC Rcd at 17662 ("competition in a number of segments of the CMRS industry has grown more than it has ever before"; "substantial progress has been made towards a truly competitive mobile telephone marketplace").

DESIGNATED ENTITY ISSUES

The attached applications seek the consent of the Federal Communications Commission to transfer control of personal communications service ("PCS"), local multipoint distribution service ("LMDS") and 38.6-40.0 GHz ("39 GHz") licenses held by subsidiaries of TeleCorp PCS, Inc. (collectively, "TeleCorp") to AT&T Wireless Services, Inc. ("AT&T Wireless"). Certain of TeleCorp's PCS licenses authorize operation on the C and F block channels. The Commission's rules generally provide that "[n]o assignment or transfer of control of a license for frequency Block C or frequency Block F won in closed bidding pursuant to the eligibility requirements of § 24.709 will be granted,"[1/] except when, among other instances, "[t]he application for assignment or transfer of control is filed on or after the date the licensee has notified the Commission pursuant to § 24.203(c) that its five-year construction requirement has been satisfied."[2/] As shown in Schedule A, five-year build out notifications have been filed for all of the C and F Block licenses implicated by these applications. This list comprises all of the designated entity PCS licenses held by TeleCorp entities with the exception of WPOK659, the 30 MHz C Block license for the Somerset, KY BTA (BTA423).[3/] In applications filed contemporaneously herewith, TeleCorp has proposed to assign the license for WPOK659, to Skagit Wireless, L.L.C. ("Skagit").[4/]

While the Commission's rules permit AT&T Wireless to acquire control of the C and F Block licenses for which the five-year build-out requirement has been met, section 1.2111 of the those rules requires an "unjust enrichment" payment for certain C and F Block authorizations that were obtained using bidding credits or installment payment financing. In addition, section 1.2111 requires a similar payment in order for AT&T Wireless to obtain control of the LMDS and 39 GHz licenses held by TeleCorp that were obtained using bidding credits. For the C and F Block licenses, the required repayment consists of (a) installment payment debt, if applicable, and (b) under certain circumstances, all or part of the original bidding credits applicable to such licenses. Accordingly, each C and F Block license that is the subject of the attached application is subject to different repayment criteria under section 1.2111. Schedules B, C, D and E hereto set out what the parties believe will be the repayment obligation for these C and F Block

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1/ 47 C.F.R. § 24.839(a).

2/ 47 C.F.R. §24.839(a)(6).

3/ Applicants manually filed an application proposing the transfer of control to AT&T Wireless of an additional C block license that has not yet been issued to TeleCorp, but for which an application for assignment is pending. Applicants requested a waiver of the FCC's ULS filing rules to permit manual filing in this case. That C block authorization has been constructed, and the FCC so notified.

4/ Assignment to TeleCorp of certain other unbuilt C and F block authorizations remains pending. TeleCorp manually filed an application to transfer these authorizations to Skagit. This application is accompanied by a request for a waiver of the FCC's ULS licensing rules to permit the manual filing.

authorizations, without considering interest payments.[5/] The C and F Block licenses listed on Schedule B were issued more than five years ago and therefore no bidding credit repayment is required, although there is installment debt associated with virtually all of the licenses.[6/] The licenses listed on Schedule C are those F Block licenses that were issued less than five years ago, and for which partial repayment of the applicable bidding credit is required.[7/] Schedule D lists the F Block authorizations that have previously been subject to repayment of some of the bidding credit in a prior third party transaction.[8/] A final category of C Block licenses, contained on Schedule E, are those for which full repayment of the bidding credit is likely to be required.[9/] While the licenses on Schedule E are not subject to installment payments, the licenses on Schedules B, C, and D all generally carry FCC debt. For the LMDS and 39 GHz licenses, the payment obligation consists, in each case, of the repayment of some or all of the bidding credits. Schedule F hereto sets out the repayment obligations for thes LMDS licenses and Schedule G specifies the repayment obligations for the 39 GHz licenses. AT&T Wireless acknowledges and accepts the requirements to satisfy these repayment obligations in full prior to closing.

5/ The application proposing the transfer of control of the pending C Block license, see note 3, supra, contains a separate schedule specifying the required repayment.

6/ 47 C.F.R. § 1.2111(d)(2)(i)(E).

7/ If the parties consummate the transfer of control of these licenses after April 28, 2002, certain of the licenses will no longer be subject to any repayment obligations because they will have been issued for longer than five years. See 47 C.F.R. §1.2111(d)(2)(i)(E).

8/ For example, when TeleCorp acquired Tritel, Inc. through its merger in November of 2000, TeleCorp qualified only as a "small business" and made a repayment because Tritel, Inc. was considered a "very small business" and was entitled to a greater bidding credit than was TeleCorp. If the parties consummate the transfer of control of these licenses after April 28, 2002, certain of the licenses will no longer be subject to any repayment obligations because they will have been issued for longer than five years. See note 7, supra.

9/ The earliest time at which there would be a reduction in the amount of bidding credit repayment due would be June 30, 2002. For one license listed on Schedule E, WPOJ806, no bidding credit repayment is required because the entity from which TeleCorp acquired this license did not qualify for a bidding credit.

Conformed Copy

AGREEMENT AND PLAN OF MERGER

by and among

AT&T WIRELESS SERVICES, INC.

TL ACQUISITION CORP.

and

TELECORP PCS, INC.

Dated as of October 7, 2001

TABLE OF CONTENTS

Page

ARTICLE I

THE MERGER

1.1 The Merger 1
1.2 Effective Time 1
1.3 Effect of the Merger 2
1.4 Certificate of Incorporation and By-laws of the Surviving Corporation 2
1.5 Directors and Officers 2
1.6 Conversion of Capital Stock, Etc. 2
1.7 Cancellation of Certain Shares; Conversion of Merger Sub Stock 4
1.8 Stock Options; Restricted Stock 5
1.9 Adjustments 6
1.10 Fractional Shares 6
1.11 Surrender of Certificates 7
1.12 Further Ownership Rights in Shares 8
1.13 Closing 9
1.14 Lost, Stolen or Destroyed Certificates 9
1.15 Follow-On Merger 9
1.16 Dissenting Shares 9

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF TELECORP

2.1 Organization and Qualification; Subsidiaries 10
2.2 Certificate of Incorporation; By-laws 11
2.3 Capitalization 11
2.4 Authority; Enforceability 13
2.5 Board Recommendation; Required Vote 13
2.6 No Conflict; Required Filings and Consents 14
2.7 Material Agreements 15
2.8 Compliance 16
2.9 SEC Filings; Financial Statements 17
2.10 Licenses and Authorizations 17
2.11 No Violation of Law 20
2.12 Absence of Certain Changes or Events 21
2.13 Absence of Liabilities 21
2.14 Absence of Litigation 21
2.15 Employee Benefit Plans 21