

AT&T ([NYSE:T](#)) said it will acquire spectrum holding company NextWave Wireless, a major holder of WCS 2.3 GHz spectrum, in a deal valued at up to \$600 million.

The deal would combine the nation's two largest WCS spectrum holders (AT&T is the largest and NextWave is the second largest). AT&T is hoping to use WCS spectrum in combination with its 700 MHz and AWS holdings for LTE service in the coming years.

The deal comes as wireless carriers and the CTIA continue to clamor for more spectrum for mobile broadband. AT&T is also buying spectrum from 700 MHz LLC and from Comcast.

Under the terms of the deal, AT&T will acquire all the equity of NextWave for approximately \$25 million plus a contingent payment of up to approximately \$25 million. AT&T will also, through a separate agreement with NextWave's debt holders, acquire or retire all of the company's \$550 million in outstanding debt for a total of \$600 million in cash. Despite its spectrum holdings, NextWave was struggling last year with its debt obligations and was working with creditors to restructure its debt. AT&T noted that the deal is subject to review by the FCC and the Department of Justice, and that it expects the deal to close by the end of the year.

AT&T has been working to deploy LTE in the WCS spectrum band in order to add extra capacity to its LTE network, which currently runs on its 700 MHz and AWS radio waves. Indeed, in May 2010, the FCC voted unanimously to approve an order that changes rules governing the 2.3 GHz WCS band. The FCC said the spectrum can be made available for mobile broadband use, and mandated that rules be put in place to avoid interference issues. However, AT&T and many others took issues with the new rules.

And in a separate action in June of this year, AT&T and Sirius XM made a joint proposal to the FCC that would open up a portion of the WCS band to LTE. The proposal would change the rules governing WCS spectrum while protecting Sirius XM from interference. The proposed changes would give AT&T the ability to deploy LTE covering roughly 40 percent of the country.

This deal with NextWave along with AT&T's bid for additional 700 MHz spectrum from 700 MHz LLC need to be thoroughly vetted and either conditioned if approved or denied. The threat to the public interest in the 700 MHz LLC deal is a threat to interoperability (AT&T stockpiles spectrum -- expands war chest with new 700 MHz licenses) but otherwise its a small spectrum swap that does not result in a decline in competing service providers as the AT&T T-Mobile merger would have done. Nonetheless it needs vetting as does this major acquisition.

