SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **2002-03-28** | Period of Report: **2001-12-31**

SEC Accession No. 0000891020-02-000335

(HTML Version on secdatabase.com)

FILER

AT&T WIRELESS SERVICES INC

CIK:**1138234**| IRS No.: **911379052** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **001-16567** | Film No.: **02591581**
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS

PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2001

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 0-23137

AT&T WIRELESS SERVICES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware *(State or Other Jurisdiction of Incorporation or Organization)*	**91-1379052** *(I.R.S. Employer Identification No.)*
7277 - 164th Avenue NE, Building 1 **Redmond, Washington** *(Address of Principal Executive Offices):*	**98052** *(Zip Code)*

(425) 580-6000

(Registrant' s Telephone Number, Including Area Code)

Securities Registered Pursuant To Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange
Preferred Share Purchase Rights	

Securities Registered Pursuant to Section 12(g) of the Act: None

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant' s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

The aggregate market value of the common stock held by nonaffiliates of the registrant at February 28, 2002 was approximately $22,785,265,559.

The number of shares of the registrant' s Common Stock outstanding at February 28, 2002 was 2,705,104,188.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the Registrant' s definitive proxy statement relating to the annual meeting of shareholders to be held on May 16, 2002, which definitive proxy statement was filed with the Securities and Exchange Commission on March 22, 2002.

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PART I

This Annual Report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact, including statements regarding industry prospects and future results of operations or financial position, made in this Annual Report are forward looking. We use words such as "anticipates," "believes," "expects," "future ' and "intends" and similar expressions to identify forward-looking statements. Forward-looking statements reflect management's current expectations, plans or projections and are inherently uncertain. Our actual results may differ significantly from management's expectations, plans or projections. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Certain risks and uncertainties that could cause our actual results to differ significantly from management's expectations are described in the section entitled "Business – Additional Factors That May Affect Our Business, Future Operating Results and Financial Condition." This section along with other sections of this Annual Report, describes some, but not all, of the factors that could cause actual results to differ significantly from management's expectations. We undertake no obligation to publicly release any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are urged, however, to review the factors set forth in reports that we file from time to time with the Securities and Exchange Commission. Unless the context requires otherwise in this Annual Report the terms "AT&T Wireless," the "Company," "we," "us" and "our" refer to AT&T Wireless Services, Inc. and its subsidiaries. "AT&T Corp." and "AT&T" refer to AT&T Corp., our former parent.

Item 1. *Business*

Overview

We are one of the largest wireless communications service providers in the U.S. We seek to expand our customer base and revenue stream by providing high-quality, innovative wireless services. As of December 31, 2001, we had over 18.0 million consolidated subscribers. For the year ended December 31, 2001 we had $13.6 billion of total consolidated revenues.

We operate one of the largest U.S. digital wireless networks. As of December 31, 2001, we and our affiliates held 850 megahertz and 1900 megahertz licenses to provide wireless services covering approximately 99% of the U.S. population. As of that date, we and our affiliates covered approximately 88% of the U.S. population with at least 30 megahertz of wireless spectrum. At the same date, our networks and those of our affiliates operated in markets including over 78% of the U.S. population and in all 50 of the largest U.S. metropolitan areas. Ninety-nine percent of our markets operate on digital-based systems. We supplement our operations with roaming agreements that allow our subscribers to use other providers' wireless services in regions where we do not have operations. With these roaming agreements, we are able to offer customers wireless services covering over 95% of the U.S. population. We plan to continue to increase our coverage and the quality of our services by expanding our coverage area and the capacity of our network through new network construction, acquisitions, and affiliations and joint ventures with other wireless providers.

We currently provide voice services principally over our network which uses time division multiple access, or TDMA, as its signal transmission technology. In 2001, we also deployed, as an overlay over our TDMA network, a separate network using signal transmission technology known as global system for mobile communications, or GSM, and general packet radio service, or GPRS, in markets representing approximately 45% of the U.S. population that is covered by our licenses. Our GSM/GPRS network is capable of carrying voice and data traffic.

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We were incorporated in 1987 as a Delaware corporation. Our principal executive offices are located at 7277 164th Avenue NE, Building 1, Redmond, Washington 98052. The telephone number is (425) 580-6000.

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Business and Strategy

We operate one of the largest digital wireless networks in North America. Our goal is to be the premier provider of high quality wireless communication services, whether voice or data, to businesses and consumers, in North America. We believe the following are key elements to enable us to execute on our goals:

continue the expansion of our domestic mobile wireless network to add capacity, improve quality and provide consistent features in major markets throughout the nation;

continue to lower our operating costs and improve capital efficiency by expanding our digital mobile wireless network and increasing the use of more efficient channels of distribution;

complete the rollout of GSM/GPRS technology to provide enhanced services as an interim step in our transition to third-generation technology;

target distinct consumer and business customer segments with wireless offers that match their needs for voice and data services in order to increase our subscriber base and revenue; and

take advantage of our wireless spectrum portfolio, digital networks, customer base and AT&T brand recognition with new growth initiatives, including data services and capitalize on wireline-to-wireless migration opportunities.

Continue the expansion of our domestic mobile wireless network to add capacity, improve quality and provide consistent features in major markets throughout the nation

We believe it is competitively critical to expand and improve our network coverage footprint, as well as to increase capacity in our existing voice network, to provide coverage in major markets through the nation. We have taken a number of steps to increase our network coverage, to accelerate digital build outs in 850 megahertz and 1900 megahertz markets, to increase the capacity and quality of our existing voice network, and to acquire or affiliate with other wireless providers.

In 2001, we completed the first phase of a major enhancement to the New York area network, and as a result substantially increased calling capacity and improved service quality. This enhancement included installation of new switches, replacement of base stations in a number of cell sites and the commission of a new transport network. This has resulted in a new high-performing network that is scalable to support future growth. We expect to continue enhancements in the New York area network.

In each market in which we are not currently operating, we evaluate the benefits and costs of building out our license versus acquiring or affiliating with other experienced wireless providers before we decide on the appropriate method of expanding into that market. The timing of these decisions depends upon a variety of factors, including the size of the prospective market, the location of the market relative to our other markets, the economics of existing roaming agreements and anticipated industry developments.

Acquisitions and Joint Ventures. An element of our strategy is to expand our network through acquisitions of licenses, systems and wireless providers. In evaluating potential acquisitions, we consider a number of factors, including the following: strategic footprint, price, the extent to which we can improve a target' s operating metrics and the impact on our balance sheet.

On February 15, 2002 we completed the acquisition of TeleCorp PCS, Inc., our largest affiliate, by acquiring the 77 percent of TeleCorp PCS we did not already own. This transaction increased our consolidated subscriber base by approximately 800,000 subscribers. The mobility footprint of TeleCorp PCS included 30 million consolidated covered POPs (the population covered by an entity' s network) and 16 of the top 100 U.S. markets.

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On January 28, 2002 we announced an agreement to form a joint venture with Cingular Wireless, LLC that would allow both carriers to more quickly and cost-effectively expand the build out of each of their GSM/GPRS networks. This joint venture would allow for GSM/ GPRS network coverage along approximately 3,000 miles of interstate highways in predominantly mid-western and western states.

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Establish affiliates. We also will continue to establish affiliate relationships with other wireless providers to accelerate the expansion of our digital mobile wireless network. We have entered into a number of joint ventures and affiliations to expand the coverage of our existing voice network. Key domestic non-consolidated affiliates with current operations include the following:

Affiliate	Description	Markets Covered	Megahertz Market	POPs (in millions)*	Ownership Percentage**
ACC Acquisitions, LLC (American Cellular Corporation)	TDMA	Rural service areas in Minnesota, New York, Wisconsin, Kentucky, Ohio, Michigan, Pennsylvania, and West Virginia; metropolitan service areas of Duluth, Minnesota; Orange County and Poughkeepsie, New York; Eau Claire and Wausau, Wisconsin; and Alton, Illinois	850	5.2	50.0%
Cincinnati Bell Wireless, LLC	TDMA	Cincinnati and Dayton, Ohio	1900	3.4	19.9%
Triton PCS Holdings, Inc.	TDMA	Markets in North Carolina, South Carolina, Georgia, Virginia, Tennessee and Kentucky, including Fayetteville, Hickory, Wilmington, Myrtle Beach, Charleston, Columbia, Hilton Head, Florence, Augusta, Savannah, Athens, Norfolk, Richmond and Roanoke	1900	13.3	15.7%

* Amount of U.S. population covered by licenses held by entity, as of December 31, 2001.

** As of December 31, 2001. Ownership percentages for Triton reflect our ownership of common stock, assuming conversion of all currently convertible preferred shares to common stock.

Continue to lower our operating costs and improve capital efficiency by expanding our digital mobile wireless network and increasing the use of more efficient channels of distribution

We believe that our success also will depend in large part on our ability to continue to lower our operating costs, to have the flexibility to offer various pricing plans and to be cost competitive. We already have taken a number of steps to lower our operating costs associated with providing network service, and are taking a number of initiatives to lower our marketing and sales costs.

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Lower unit network costs and capital requirements. As described above, we are expanding our footprint across the U.S. We pay other wireless providers negotiated roaming rates when our customers make or receive wireless calls when located in other approved wireless providers' coverage areas. Because roaming costs to the wireless provider can be significant or exceed the amount charged to the subscriber, it is extremely advantageous to be able to provide services on our network. As we build out our network to achieve these roaming savings, we purchase equipment from multiple vendors and aggressively negotiate with each vendor for volume discounts to reduce cost.

In the interim, we have been able to reduce roaming charges significantly. We have been able to negotiate favorable roaming rates with most wireless providers across the U.S. based upon volume and growth. The joint venture agreement we entered into with Cingular Wireless, LLC is an example of our efforts to reduce roaming costs and capital expenditures. In addition, our proprietary intelligent roaming database, or IRDB, directs wireless subscribers to preferred service providers whenever they travel outside their wireless home-coverage area. The database maintains a list of wireless carriers and their frequency bands, ranked by priority. This is designed to provide service in more areas at favorable roaming rates. The updated database is

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periodically downloaded over the air into each digital multi-network phone. When the database is implemented during a call, the wireless phone scans all bands to determine which service providers are available. The phone registers, or "locks on," immediately if it finds that our service is sufficiently strong, which is the top priority. If we do not offer service in the area, the database instructs the phone to search for an affiliate service provider. When an affiliate is not available, the phone scans for a "favored" service provider, one that is preferred over a carrier not categorized in the IRDB.

Lower marketing and sales expense. We continue to develop initiatives designed to lower our customer acquisition cost, as well as our customer care expenses. For example, we continue to seek out lower cost distribution channels for our products and services. We have increased the number of our company-owned stores, which are one of the lowest cost channels for distributing and signing up customers. As of December 31, 2001, there were 837 company-owned stores throughout the U.S. In addition, we are actively using the Internet as a vehicle for customer acquisition, as well as for customer care. In addition to allowing customers to sign up for wireless services over the Internet, resulting in a low cost acquisition, subscribers can access their account and obtain answers to routine inquiries that would otherwise require a customer care representative.

Complete the rollout of GSM/ GPRS technology to provide enhanced services as an interim step in our transition to third-generation technology

In July 2001, we became the first wireless carrier in the U.S. to offer advanced or 2.5G wireless services, when we launched our 2.5G GSM/GPRS network in Seattle, Washington. In 2001, we deployed our GSM/GPRS network as an overlay over our TDMA network in markets representing approximately 45% of the U.S. population covered by our licenses. We expect to complete the roll out of our 2.5G GSM/GPRS network in 2002 and begin deployment of 2.5G equipment in territories added in the acquisition of TeleCorp PCS. As of December 31, 2001, we offered GSM/GPRS services in 27 cities in 14 states.

GPRS, which is being deployed as an overlay on our TDMA voice network, provides faster data speeds than our previous data network technology. In the longer term, our network platform is expected to provide multi-media services using enhanced data rates for global evolution, or EDGE, and the anticipated global standard of universal mobile telecommunications system, or UMTS.

In 2002, we plan to sell phones combining our TDMA voice capability and GSM/GPRS voice and data technologies, which will provide customers the benefit of access to our current voice network as well as the new higher-speed data services. We are also selling GSM/GPRS devices in a variety of forms (e.g., phones, handheld devices called personal digital assistants, or PDAs, and laptops), to address a broad range of customer needs. Telefonaktiebolaget LM Ericsson, Nokia Networks, Inc. and Nortel Networks, Inc. are providing our 2.5G network equipment. Motorola, Inc., Nokia Mobile Phones, Inc., Sony Ericsson Mobile Communications, Siemens Aktiengesellschaft and Novatel Wireless, Inc. are providing our 2.5G customer devices.

Our overlay strategy allows us to utilize our existing cell site facilities and spectrum. The customer benefits of this strategy include availability of a broad array of enhanced and high-speed data services and devices, and enhanced international roaming capability.

Third-generation development strategy. The eventual deployment of third-generation technology in our network is expected to enable the transmission of multimedia services (e.g., streaming audio and video) to customer devices. We believe that a sound third-generation strategy should allow the wireless provider to achieve a pervasive footprint quickly and cost effectively. In addition, we believe third-generation networks that achieve global economies of scale and allow for global roaming will have a significant advantage.

We selected for our eventual third-generation services the technological standard that is the same global standard that has been selected by service providers throughout Europe, in Japan and in other parts of the world. This standard, known as UMTS, has generally been accepted as the successor technology to the second-generation digital technology, GSM. UMTS is also known as W-CDMA, or wideband code division multipleband access. Despite the similarity of the acronyms, CDMA 2000 and W-CDMA are not compatible.

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Target distinct consumer and business customer segments with wireless offers that match their needs for voice and data services in order to increase our subscriber base and revenue

We believe that one key to success in the wireless industry is the ability to target customer segments and provide offers that match the needs of those segments. Certain segments respond to pricing plans tailored to their usage patterns while other segments are more attuned to customized service features. We have been a leader in differentiating our services through our use of targeted offerings and our introduction of new features and services.

When creating marketing programs and pricing plans for various customer segments we consider many different attributes of wireless service. First, we consider the coverage area where the customer will be able to use any minutes included in their calling plan without incurring roaming charges. We have plans that range from the inclusion of a small local geography to the entire nation. We also consider how customers wish to pay for their service. Currently, we offer two main payment methods: prepaid and postpaid. In addition, we consider whether domestic long distance charges should be included in the plan and whether we should provide value added features or make features available for additional cost. We consider the type of equipment a customer may want to purchase and work on having a wide range of equipment available, from phones, to PDAs and modems. We also consider if there is a group of users that may want to share minutes or receive discounted calling within a defined group. In addition to these elements, we develop features to allow customers to get the most out of their service. We continue to focus on mobile multimedia services the customer may want so they can access information using the wireless internet to access relevant information like stock quotes, directions, weather and the news. We provide customers options that allow them to send and receive e-mail and text messages from their wireless devices. Personalization is important to some customers so we allow customers to add customized ring tones or graphics to compatible wireless phones. As an overlay on all of these options we offer a program for our middle and large-sized businesses to simplify the wireless purchasing and management process and a national structure. With all of these variables we can create promotions and offers for the distinct customer segments.

Take advantage of our wireless spectrum portfolio, digital networks, customer base and AT&T brand recognition with new growth initiatives, including data services and capitalize on wireline-to-wireless migration opportunities

We have been an industry leader in developing new growth initiatives that take advantage of our existing wireless spectrum, digital networks, customer base and brand. We have targeted wireless data services and wireline-to-wireless migration as growth areas for near-term expansion.

In the fourth quarter of 2000, we and AT&T entered into an agreement with NTT DoCoMo, Inc., a leading Japanese wireless communications company, for DoCoMo' s investment in AT&T reflecting our financial performance and our economic value and for the formation of a strategic alliance. The parties completed this investment on January 22, 2001. For more information, please see "DoCoMo Strategic Investment." The strategic alliance was formed to develop the next generation of mobile multimedia services on a global-standard, high-speed wireless network. Subject to certain conditions, we and DoCoMo will also become partners in the U.S. and Japan for handling the roaming traffic in each other' s network. Subject to some exceptions, DoCoMo has agreed that in the U.S., Mexico or Canada, other than through us, it will not undertake certain activities itself or form certain relationships with third parties. We have made the same agreements with respect to DoCoMo in Japan.

In March 2001, we created AT&T Wireless Mobile Multimedia Services, a new, wholly-owned subsidiary which develops and encourages the development of multimedia content, applications and services offerable over our data networks Both we and DoCoMo share technical resources and support staffing of the new subsidiary. In addition, we will be able to license from DoCoMo, without additional payment, rights to DoCoMo' s "i-mode" technology and related technology as long as the relationship is in effect and for 18 months thereafter. This subsidiary is focused on creating new wireless data service offers targeted at customer segments.

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Data services. The development of compelling data applications will be critical to the growth in usage of wireless data network services. We are developing such applications as well as supporting applications developed by third parties. For consumers, we have created a wireless data service which permits customers to have access to content provided by various content partners such as news, weather and sports agencies, travel information services, entertainment sources and Internet portal providers. For our corporate customers, we have joined with application providers to bring to market wireless data transport and application services to fit both vertical segments, such as public safety, dispatch, wireless credit card validation and automated vehicle location, as well as applications that have utility across industries, such as access to corporate e-mail.

New devices are now driving the development of wireless applications involving phones, PDAs and laptops. Applications that are currently available allow users to access their personal information, including contact lists and calendars, as well as e-mail, Internet content and two-way messaging services. We may collaborate with Internet service providers or other content providers to develop devices and applications suitable for wireless customers, as well as access to the Internet service providers' communications services and online distribution channels. Additionally, we have introduced new applications including e-commerce and shopping services. By providing or facilitating these applications, we believe we can develop personalized relationships with our customers.

We have also brought wireless data services to customers through our Short Messaging Service Platform. With compatible phones, customers can send and receive text messages to each other and can receive short e-mail messages from a personal computer. We were the first U.S. wireless carrier to provide our customers with the ability to send text messages in this fashion to the phones of subscribers of other wireless carriers. We have introduced our "On Demand" service which affords our customers, with compatible phones, the ability to order and download ring tones and graphics to their phones. Using this service, our customers are able to personalize their wireless experience.

We have also brought information and other data services to customers using voice services. In our AT&T Wireless #121 service, customers can enter an abbreviated dialing string and access content and information using voice commands.

We expect that the development and introduction of third-generation networks will drive wireless data usage growth by offering greater bandwidth and network coverage at lower operating costs.

Marketing

We develop customer awareness through our marketing and promotional efforts and have been a leader in differentiating our products through our use of targeted pricing plans and the introduction of new products and services. We also use the AT&T brand name and logo, provide superior customer care and are able to engage in cross marketing arrangements with AT&T.

Targeted marketing. We target groups of customers who share common characteristics or have common needs. Common characteristics may be usage (frequent travelers), social group (families), age (youth market) or any other distinctive measures. We then attempt to create a compelling offer by combining rate plans, product promotions and features that meet the particular needs of that targeted group and that we believe we can provide at a competitive advantage. We have expanded our targeted marketing efforts to include new groups of customers, and as a result we may experience upward pressure on the rate of customers moving between competitors, known as "churn". Also consistent with this strategic initiative, we expect to continue to experience a decrease in average revenue per user.

AT&T brand name. We prominently feature the AT&T brand name and logo on our products and services. We have benefited from AT&T's national advertising to build our brand awareness. We believe that the use of the AT&T brand name, one of the most well known in the U.S., will continue to be a distinct marketing advantage.

In January 2002, we launched our new brand advertising and marketing program using the theme "mLife." The campaign emphasizes the ability of wireless communications to keep people connected while letting them be free of the limitations inherent in wired communication.

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Customer care and support

We place a high priority on providing our customers with the best customer care and support. Subscribers can access their account, add or delete certain features, pay their invoice and obtain answers to routine inquiries through our website. In addition, customers can reach our customer care representatives for answers regarding their service, activation, changing service plans and other service options. Customer care representatives are accessible from any point within the network on an AT&T Wireless handset at no charge or through any other telephone by calling a toll-free number. In addition, certain large enterprise customers may utilize a customized extranet for ease of customer service.

As part of our customer care program, we seek to identify customers who are at risk of changing service providers. In these cases, we have programs that assist customers in upgrading their equipment, in changing their rate plan so they are on a plan that is appropriate for their calling needs and in understanding how to get the full benefits from their service. We communicate these programs through individualized and general communications, and utilize these programs to minimize the risk of customers switching to another service provider.

Sales and distribution

We market our wireless services in our managed markets under the AT&T Wireless brand name. We market wireless services to business and residential customers through a direct sales force, through sales points of presence in 837 company-owned stores as of December 31, 2001, and kiosks and other customer points of presence, including the Internet and inbound call centers, and through local and national non-affiliated retailers and dealers across the U.S. We also distribute our services through resellers.

Dealers are independent contractors that solicit customers for our service, and, typically, include specialized wireless stores, specialized electronics stores and department stores. We generally pay our dealers a commission for each customer that uses our service for a specified period, and may make residual or account management payments to the dealer based on the customer’ s ongoing service charges.

Resellers represent a low cost, non-exclusive distribution channel that expands our market reach. We receive less revenue per resale subscriber than we do for our own subscribers due in part to reseller discounts. Resale subscribers are customers of the reseller and therefore we do not have a customer relationship with the subscriber. We do not incur significant subscriber acquisition costs or direct customer care costs with respect to these customers.

Rates and billing

Our charges may include fees for service activation, monthly access, per-minute airtime, data usage, customer-calling features, taxes and surcharges. We manage our exposure to bad debt by reviewing prospective customers for creditworthiness and by deactivating accounts that reach a specific date past due.

International

We own minority interests in wireless carriers in a number of areas including Canada, India, Europe, Indonesia and Taiwan. We recently have refocused our international objectives on enlarging our footprint to extend throughout North America, as well as enhancing our ability to service the global needs of our multinational customers. In 2001, we began monetizing our non-strategic international minority investments.

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We may, from time to time, acquire interests in additional entities or dispose of or consolidate our existing international holdings.

Country	Entity	Description	POPs Covered (in millions)(1)	Percentage Ownership(2)
Canada	Rogers Wireless Communications, Inc.	Nationwide TDMA network and GSM/ GPRS overlay	29	34.4%
Czech Republic	EuroTel Praha, spol. s.r.o.	Nationwide NMT 450 and and GSM 900 networks	10	24.5%
India	Birla Tata AT&T Ltd.	GSM networks in Goa, Gujarat, Maharashtra, Andhra Pradesh, and Madhya Pradesh	95	33.0%(3)
India	BPL Cellular Ltd.	GSM networks in Tamil Nadu, Kerala, and Maharashtra	52	49.0%(3)
Indonesia	PT AriaWest International	Fixed line local network and unbuilt PCS license in West Java	NA	35.0%
Slovakia	EuroTel Bratislava a.s.	Nationwide NMT 450 and GSM 900 networks	5	24.5%
Taiwan	Far EasTone Telecommunications, Ltd.	Nationwide GSM 900 and 1800 networks	22	22.7%

(1) Amount of population covered by the entity’ s network in its country, as of March 1, 2002.

(2) As of March 1, 2002.

(3) In 2000, the wireless operator in which we originally held a 49% stake, Birla AT&T Communications Ltd., entered into an agreement to merge with the wireless operations of Tata Cellular, Ltd. The merger closed in late 2001. We now own a 33% stake in the new merged entity Birla Tata AT&T Ltd. In addition, we are currently a party to a preliminary agreement to consolidate Birla Tata AT&T Ltd. with BPL Mobile Communications Ltd. and some portions of BPL Cellular Ltd. BPL Mobile Communications Ltd. owns and operates a cellular business in the city of Mumbai, India. It is currently owned by BPL Communications Ltd. (74%) and France Telecom (26%). BPL Cellular Ltd., a company owned by BPL Communications Ltd. (51%) and AT&T Wireless (49%), owns and operates cellular businesses in the Indian states of Maharastra, Kerala and Tamil Nadu. In connection with the planned consolidation, BPL Cellular Ltd. will separate its Maharastra cellular business and only combine its Kerala and Tamil Nadu cellular businesses with those of Birla Tata AT&T Ltd. and BPL Mobile Communications Ltd. There can be no assurance that the consolidation will occur. The preliminary agreement is subject to a number of conditions, including obtaining approvals of the boards of all of the participants to the consolidation. If all conditions are satisfied and a consolidation occurs as contemplated in the preliminary agreement, we estimate that our direct and indirect ownership will be approximately 24% of the consolidated entity.

Our Relationship with Alaska Native Wireless, LLC

In 2001, we agreed to invest $2.6 billion in exchange for a combination of a non-controlling equity interest in and debt securities issued by Alaska Native Wireless, LLC, in connection with Alaska Native Wireless’ successful bids in the C and F Block reauction, which ended January 26, 2001. At the conclusion of the auction, Alaska Native Wireless was the high bidder on approximately $2.9 billion in licenses. The trustee in NextWave Telecom, Inc.’ s Chapter 11 bankruptcy proceeding and the unsecured creditors of NextWave commenced litigation that challenged the right of the FCC to re-auction the 1900 megahertz licenses that

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NextWave acquired in prior FCC auctions, but which were later reclaimed by the FCC. On June 22, 2001, a federal appeals court ruled that the FCC had acted improperly in repossessing from NextWave the spectrum sold in the reauction. The FCC subsequently reissued the licenses in NextWave' s name. On March 4, 2002, the U.S. Supreme Court agreed to review the case. If the appeals court decision is not reversed and the results of the auction upheld, or the parties are not able to reach a settlement, or if Alaska Native Wireless is otherwise unable to acquire the licenses for which it was the high bidder, it could have a significant adverse impact on our plans to provide or enhance services in key new and existing markets.

Although Alaska Native Wireless is obligated to use technology that is compatible and interoperable with our digital mobile wireless network, no commitments have been made by Alaska Native Wireless concerning the deployment of the licenses for which it was high bidder. Fifteen licenses were awarded to Alaska Native Wireless in March 2002 pursuant to the C and F block reauction concluded in 2001. Under certain conditions, at the fifth anniversary of the first date on which licenses won in the auction are granted to Alaska Native Wireless, and in addition to other means by which they may transfer their interests, the other owners of Alaska Native Wireless have the right to require us to purchase their equity interests. Based on the grant of licenses in March 2002, if this right were exercised five years thereafter, the price could be as much as approximately $1.1 billion and would be payable, at our option, in cash or marketable securities. The amount would be less if the right were exercised earlier.

Mobile wireless network

Coverage. As of December 31, 2001, our built network, including affiliate markets, covered approximately 99% of the U.S. population, including operations in all 50 of the largest U.S. metropolitan areas. Our wireless network operates using both 850 megahertz and 1900 megahertz licenses. Where agreements are in place, we are able to offer service to customers of other wireless providers when they roam through our service area, and our subscribers can roam through other wireless providers' service areas.

TDMA network. We chose time division multiple access, or TDMA, technology for our second-generation voice digital network. TDMA permits the use of advanced tri-mode handsets that allow for roaming across analog and digital systems and across 850 megahertz and 1900 megahertz spectrums. This digital technology allows for enhanced services and features, such as short alphanumeric message service, extended battery life, added call security and improved voice quality. TDMA' s hierarchical cell structure enables us to enhance network coverage with lower incremental investment through the deployment of smaller, lower range cell sites than are generally used. TDMA equipment is available from leading telecommunication vendors such as Lucent, Sony Ericsson Mobile Communications and Nortel Networks Inc. A number of other wireless service providers have chosen CDMA or GSM as their current digital wireless technology.

GSM/ GPRS network. Starting in the second half of 2001, we began to deploy a GSM/ GPRS platform for interim improvements in wireless data capabilities on the evolutionary path to third-generation data services, as well as associated voice services. As of December 31, 2001, we had deployed our GSM/ GPRS network in markets representing approximately 45% of the population covered by our licenses. This platform, which is being deployed as an overlay on our second-generation voice network, provides a cost effective means for us to offer customers a wide range of data service offerings earlier than previously planned using the interim enhanced wireless data standards GPRS and EDGE. These interim standards provide faster data speeds than our previous data network technology. In the longer term, this platform is expected to provide multimedia services using the anticipated global standard of UMTS.

Competition

Competition for subscribers among wireless service providers is based principally upon the services and features offered, call quality, customer service, system coverage and price. Our ability to compete successfully will depend, in part, on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and pricing strategies. Increased competitive pressures, the introduction and

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popularity of new products and services, including prepaid phone products, as well as a general softening of the economy, could adversely affect our results, increase our churn and decrease our average revenue per user. Our primary national competitors are Cingular, Verizon Wireless, Nextel Communications, Deutsche Telekom/ VoiceStream Wireless and Sprint PCS.

In addition, the wireless communications industry has been experiencing significant consolidation and we expect that this consolidation will continue. Mergers or joint ventures of Bell Atlantic/ GTE/ Vodafone AirTouch (now called Verizon), SBC/ Bell South/ Ameritech (now called Cingular) and Deutsche Telekom/ VoiceStream Wireless (now called TMobile) have created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our offerings. These mergers or ventures have caused our ranking to decline to third in U.S. revenue and U.S. subscriber share. We also ranked third in terms of U.S. population covered by licenses, or POPs, including affiliates. As a result, these competitors may be able to offer nationwide services and plans more quickly and more economically than we can and may be able to obtain roaming rates that are more favorable than those we obtained, and may be better able to respond to our offers.

Our 850 MHz cellular operations have always experienced direct competition from the second cellular licensee in each market. Beginning in 1997, we began experiencing competition from as many as six license holders in certain markets. Competition from new providers in our markets will continue to increase as the networks of license holders are built out over the next several years. In addition, the Federal Communications Commission (“FCC”) is likely to offer additional spectrum for commercial mobile radio service, or CMRS, licenses in the future using existing or new technologies. Wireless services are provided over CMRS. See also “Additional Factors That May Affect Our Business, Future Operating Results and Financial Condition − Factors Relating to Our Business − AT&T Corp.’ s restructuring may adversely impact our competitive position.”

Patents and Trademarks

We and our subsidiaries own numerous patents in the U.S. and foreign countries. The foreign patents are generally counterparts to the U.S. patents. Our U.S. patents and licensed patents have remaining lives generally ranging from one to 19 years. Many of these patents are licensed to others, and we and our subsidiaries are licensed to use certain patents licensed from others. Upon our split-off from AT&T, we and AT&T granted to each other royalty-free cross-licenses to the patents owned as of the time of the split-off as well as certain patents issuing from patent applications pending at the time of the split-off.

AT&T has numerous trademarks registered throughout the world. AT&T considers many of its trademarks to be valuable assets, particularly the AT&T brand name and globe logo. We currently have access to these trademarks, including the AT&T brand name and globe logo, in the U.S. and other countries. Since the split-off, we have been licensed by AT&T to use a number of AT&T’ s trademarks that we have been using to date, including the AT&T brand name and globe logo. The initial term of the license is five years, with the right to renew the license for an additional five years. The license is royalty free, but includes a brand maintenance fee computed as a percentage of our gross revenue on services using the licensed trademarks. That percentage during the initial term declines over one- or two-year increments; and, during the renewal term, the percentage remains at the percentage set for the final year of the initial term. This license will be exclusive and world-wide for wide-area mobile wireless services, with the exception of certain countries in which AT&T has already licensed the brand for these services.

In total, these patents, patent applications, trademarks and licenses are material to our business.

Employees

As of February 28, 2002, we employed approximately 33,000 individuals in our operations, including our fixed wireless operations, virtually all of whom are located in the U.S.

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Seasonality

The wireless industry, including us, has experienced a trend of generating a significantly higher number of customer additions and handset sales in the fourth quarter of each year as compared to the other three fiscal quarters. A number of factors contribute to this trend, including the increasing use of retail distribution, which is dependent upon the year-end holiday shopping season, the timing of new product and service announcements and introductions, competitive pricing pressures, and aggressive marketing and promotions.

Spectrum

We provide mobile voice services using both 850 megahertz cellular and 1900 megahertz PCS licenses. We do not manage our business for these spectrums separately. Rather, we manage our business to provide network coverage irrespective of the spectrum. From a marketing and operational perspective, we define and manage our markets geographically, usually around an urban area or other geographic region. These geographic markets may use either 850 megahertz or 1900 megahertz spectrum or both. Geographic markets that use predominantly 850 megahertz spectrum have been in operation longer and therefore are more mature than those markets that exclusively use 1900 megahertz spectrum.

The 850 megahertz wireless markets originally used analog based systems, although digital technology has been introduced in most markets. As of December 31, 2001, we have upgraded 99% of our 850 megahertz markets to digital based systems. The 1900 megahertz markets all are digital.

We, including our affiliate markets, held 850 megahertz and 1900 megahertz licenses to provide wireless services covering approximately 99% of the U.S. population as of December 31, 2001. As shown in the table below, as of December 31, 2001, approximately 88% of the U.S. population was covered by at least 30 megahertz of wireless spectrum:

Spectrum	Licensed POPs (in millions)*	% of Total U.S. POPs**	Number of Top 50 U.S. Licensed Markets
10-15 megahertz	15	6 %	0
20-25 megahertz	15	5 %	1
30 megahertz or greater	249	88 %	49
Total	279	99 %	50

* Amount of U.S. population covered by licenses held by us, including affiliate markets.

** Amount that “Licensed POPs” represents as a percentage of total U.S. population, based on total U.S. population of 281 million as of December 31, 2001.

Technology

Second-generation digital systems in the U.S., whether in the 850 megahertz or 1900 megahertz spectrum, convert voice or data signals into a stream of digits that is compressed before transmission, enabling a single radio channel to carry multiple simultaneous signal transmissions. We believe that digital technology offers many advantages over analog technology, including substantially increased network

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capacity, greater call privacy, enhanced services and features, lower operating costs, reduced susceptibility to fraud and the opportunity to provide improved data transmissions.

Second-generation digital systems use one of three principal signal transmission technologies, or standards, none of which is compatible with the others:

TDMA, or time division multiple access,

CDMA, or code division multiple access, or

GSM, or global system for mobile communications.

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We believe that three of the five recognized advanced digital signal transmission technologies, or standards, which are in various stages of development, have more commercial momentum than the remaining two. These three are:

EDGE, or enhanced data rates for global evolution,

CDMA 2000, and

UMTS, or universal mobile telecommunications systems.

These so-called "third-generation" technologies will allow high-speed wireless packet data services and ultimately voice services using Internet Protocol. Widespread deployment of third-generation technology is expected to occur in the industry beginning in 2002. A fourth technology, GPRS, or general packet radio service, is generally considered to be an interim step between current and third-generation technologies. GPRS standards have been developed by recognized standards-setting bodies, and there has been some commercial deployment by carriers outside the U.S. and some U.S. carriers have announced plans to deploy this technology. Third-generation EDGE standards also are complete and equipment is available. UMTS standards, which have been completed, address more complex data applications. UMTS became available in Japan in 2001, and equipment for use in Europe and North America is currently under development. Some carriers have selected CDMA 2000 as their path to wideband data applications, as an alternative to the sequence of GPRS, EDGE, and UMTS technologies we selected as our path. UMTS is also known as W-CDMA, or wideband code division multipleband access. Despite the similarity of the acronyms, CDMA 2000 and W-CDMA are not compatible.

Regulatory Environment

The FCC regulates the licensing, construction, operation, acquisition, sale and resale of wireless systems in the U.S. pursuant to the Communications Act of 1934 and the associated rules, regulations and policies promulgated by the FCC. FCC terminology distinguishes between "cellular" licenses, which utilize frequencies in the 850 megahertz band, and "PCS" licenses, which utilize frequencies in the 1900 megahertz band. The different types of licenses and their associated systems may have differing technical characteristics.

Licensing of wireless services systems

We own protected geographic service area licenses granted by the FCC to provide cellular service and PCS. We also own licenses granted by the FCC to provide point-to-multi-point and point-to-point communications services in various bands.

A cellular system operates on one of two 25 megahertz frequency blocks that the FCC allocates for cellular radio service. Cellular systems generally are used for two-way mobile voice applications, although they may be used for data applications and fixed wireless services as well. Cellular licenses are issued for either metropolitan service areas or rural service areas. Initially, one of the two cellular licenses available in each metropolitan service area or rural service area was reserved for and awarded to a local exchange telephone company ("wireline company"), while the other license was reserved for and awarded to an entity that was not a local exchange telephone company ("non-wireline company"). In both situations, initial cellular licenses were awarded either through the comparative hearing process or by the conduct of lotteries. Licenses were issued beginning in 1983, and over the years, as a result in changes in the FCC' s rules and numerous license transfers and corporate reorganizations, there is no longer a distinction between "wireline" and "non-wireline" cellular licenses.

A PCS system operates on one of six frequency blocks allocated for personal communications services. PCS systems are used for two-way voice applications as well as data and other types of communications as well. For the purpose of awarding PCS licenses, the FCC has segmented the U.S. into 51 large regions called major trading areas ("MTAs"), which are comprised of 493 smaller regions called basic trading areas ("BTAs"). The FCC initially awarded two PCS licenses for each MTA and four licenses for each BTA. The two MTA licenses authorize the use of 30 megahertz of spectrum. One of the BTA licenses was initially for 30 megahertz of spectrum, and the other three are for 10 megahertz each. Subject to some conditions, the FCC

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permits licensees to split their licenses and assign a portion, on either a geographic or frequency basis or both, to a third party.

The FCC awarded initial PCS licenses by auction. Auctions began with the 30 megahertz MTA licenses and concluded in 1998 with the last of the BTA licenses. However, in March 1998, the FCC adopted an order that allowed financially-troubled entities that won 30 megahertz C-Block PCS licenses at auction to obtain financial relief from their payment obligations and to return some or all of their C-Block licenses to the FCC for reauctioning. The FCC completed the reauction of the returned licenses in April 1999. In addition, certain of the originally-awarded C-Block licenses are currently in bankruptcy proceedings. The FCC cancelled some of these licenses, and completed the reauction of the licenses in January 2001. The FCC' s cancellation of the licenses was successfully challenged in U.S. Court of Appeals for the District of Columbia Circuit by one of the bankrupt licensees. The U.S. Supreme Court has agreed to review the case.

Under the FCC' s current spectrum aggregation rules, no entity may hold attributable interests, generally 20% or more of the equity of, or an officer or director position with, the licensee, in licenses for more than 55 megahertz of PCS, cellular and certain specialized mobile radio services where there is significant overlap in any geographic area. Significant overlap will occur when at least 10% of the population of the PCS licensed service area is within the cellular and/or specialized mobile radio service area(s). The FCC' s spectrum aggregation rules are scheduled to be eliminated on January 1, 2003.

CMRS licenses have a 10-year term, at the end of which term they must be renewed. The FCC will award a renewal expectancy to a CMRS wireless licensee that has provided substantial service during its past license term, and has substantially complied with applicable FCC rules and policies and the Communications Act. Licenses may be revoked for cause and license renewal applications denied if the FCC determines that a renewal would not serve the public interest. FCC rules provide that competing renewal applications for licenses will be considered in comparative hearings.

All CMRS wireless licensees must satisfy specified coverage requirements. Cellular licenses were required, during the five years following the initial grant of the respective license, to construct their systems to provide service (at a specified signal strength) to the territory encompassed by their service area. Failure to provide such coverage resulted in reduction of the relevant license area by the FCC. All 30 megahertz A, B and C block PCS licensees must construct facilities that provide coverage to one-third of the population of the service area within five years of the initial license grants and to two-thirds of the population within ten years. All D, E and F block PCS licensees and certain 10 and 15 megahertz C block licensees must construct facilities that provide coverage to one-fourth of the population of the licensed area or "make a showing of substantial service in their license area" within five years of the original license grants. Other licenses issued by the FCC that we hold are subject to different renewal requirements. Licensees that fail to meet the coverage requirements may be subject to forfeiture of the license.

In an effort to balance the competing interests of existing microwave users in the PCS bands and newly authorized PCS licensees, the FCC has adopted a transition plan to relocate such incumbent microwave operators to other spectrum blocks and a cost sharing plan so that if the relocation of an incumbent benefits more than one PCS licensee, those licensees will share the cost of the relocation. The transition period contemplates negotiations between microwave licensees and PCS licensees to accomplish the transition and to govern the terms and conditions of the transition of microwave licensees from the PCS spectrum. Generally, there is a "voluntary" negotiation period during which incumbent microwave licensees can, but do not have to, negotiate with PCS licensees. This is followed by a "mandatory" negotiation period during which incumbent microwave licensees must negotiate in good faith with PCS licensees.

Wireless systems are subject to certain Federal Aviation Administration regulations governing the location, lighting and construction of transmitter towers and antennas and are subject to regulation under federal environmental laws and the FCC' s environmental regulations. State or local zoning and land use regulations also apply to tower siting and construction activities. We expect to use common carrier point-to-point microwave facilities to connect certain wireless cell sites, and to link them to the main switching office. The FCC licenses these facilities separately and they are subject to regulation as to technical parameters and service.

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The Communications Act preempts state and local regulation of the entry of, or the rates charged by, any provider of private mobile radio service or of commercial mobile radio service, which includes PCS and cellular service. The FCC does not regulate commercial mobile radio service or private mobile radio service rates. However, commercial mobile radio service providers are common carriers and are required under the Communications Act to offer their services to the public without unreasonable discrimination. The FCC’ s rules currently require providers to permit others to resell their services for a profit; however, these rules will expire in 2002.

Transfers and assignments of spectrum licenses

Except for transfers of control or assignments that are considered “pro forma,” the Communications Act and FCC rules require the FCC’ s prior approval for the assignment of a license or transfer of control of a licensee of a PCS or cellular system and other types of wireless licenses. In addition, the FCC has established transfer disclosure requirements that require licensees who assign or transfer control of licenses won at auction within the first three years of their license terms to file associated sale contracts, option agreements, management agreements or other documents disclosing the total consideration that the licensee would receive in return for the transfer or assignment of its license. Non-controlling interests in an entity that holds an FCC license generally may be bought or sold without FCC approval subject to the FCC’ s spectrum aggregation limits. However, notification and expiration or earlier termination of the applicable waiting period under Section 7A of the Clayton Act by either the Federal Trade Commission or the Department of Justice may be required if we sell or acquire interests over a certain size. Approval by state or local regulatory authorities having competent jurisdiction may also be required in some circumstances.

Foreign ownership

Under existing law, no more than 20% of an FCC licensee’ s capital stock may be owned, directly or indirectly, or voted by non-U.S. citizens or their representatives, by a foreign government or its representatives or by a foreign corporation. If an FCC licensee is controlled by another entity, up to 25% of that entity’ s capital stock may be owned or voted by non-U.S. citizens or their representatives, by a foreign government or its representatives or by a foreign corporation. Foreign ownership above the 25% level may be allowed should the FCC find such higher levels not inconsistent with the public interest. The FCC has ruled that higher levels of foreign ownership, even up to 100%, are presumptively consistent with the public interest with respect to investors from certain nations. If our foreign ownership were to exceed permitted levels, the FCC could revoke our FCC licenses. Recently, we obtained a declaratory ruling from the FCC that affirmatively approves the level of ownership in us held by non-U.S. citizens or foreign corporations. The same declaratory ruling allows non-U.S. citizens or foreign corporations to increase the level of ownership held in us by an additional 25%, subject to certain qualifications, including a requirement that the equity held is “non-controlling” equity.

Regulatory environment

The FCC has announced rules for making emergency 911 services available by cellular, PCS and other commercial mobile radio service providers, including enhanced E911 services that provide the caller’ s telephone number, location and other useful information. Commercial mobile radio service providers are required to take actions enabling them to relay a caller’ s automatic number identification and location (initially the location of the cell site first transmitting the call, and ultimately by an approximation of the caller’ s actual location) if requested to do so by a public safety dispatch agency. Providers may use either network or handset-based technologies to provide the approximation of the caller’ s actual location. There is no requirement that dispatch agencies reimburse the provider for their costs of deploying such technologies. E911 service must be made available to users with speech or hearing disabilities, but this requirement does not apply to providers of digital wireless services until mid-2002. Finally, wireless handsets capable of receiving analog signals must be able to complete E911 calls using the strongest analog signal available to the caller, even if the caller does not subscribe to the carrier providing the strongest signal. State actions incompatible with the FCC rules are subject to preemption by the FCC. We received a waiver of certain aspects of the FCC’ s Phase II location rules to permit us to implement certain location technologies for our GSM network, and recently

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asked to have that waiver modified. There can be no assurance that the request will be granted. We are currently engaged in discussions with the FCC concerning a possible consent decree to resolve E911 compliance issues for our TDMA network.

On August 8, 1996, the FCC released its order implementing the interconnection provisions of the Telecommunications Act of 1996. Although many of the provisions of this order were struck down by the U.S. Court of Appeals for the Eighth Circuit, on January 25, 1999, the U.S. Supreme Court reversed the Eighth Circuit and upheld the FCC in all respects material to our operations. On June 10, 1999, the Eighth Circuit issued an order requesting briefs on certain issues it did not address in its earlier order, including the pricing regime for interconnection. While appeals have been pending, the rationale of the FCC's order has been adopted by many states' public utility commissions, with the result that the charges that cellular and PCS operators pay to interconnect their traffic to the public switched telephone network have declined significantly from pre-1996 levels. In July 2000, the Eighth Circuit rejected certain aspects of the FCC's pricing methodology, but stayed its order pending appeal by affected parties to the U.S. Supreme Court. The U.S. Supreme Court heard oral argument on this case in October 2001.

In its implementation of the Telecommunications Act, the FCC established federal universal service requirements that affect commercial mobile radio service operators. Under the FCC's rules, commercial mobile radio service providers are potentially eligible to receive universal service subsidies for the first time; however, they are also required to contribute to the federal universal service fund and can be required to contribute to state universal funds. Many states are moving forward to develop state universal service fund programs. A number of these state funds require contributions, varying greatly from state to state, from commercial mobile radio service providers. The FCC's universal service order was modified on appeal in the U.S. Court of Appeals for the Fifth Circuit. The court's ruling has had the effect of reducing commercial mobile radio service provider support payments required for the federal universal service programs. The FCC is currently considering proposals to further modify its rules governing universal service contributions. Some of these proposals could increase the amount of support payments required of commercial mobile radio service providers. We cannot predict at this time which if any of these proposals will be adopted and what effect they would have on our contribution obligation.

The FCC has adopted rules on telephone number portability that will enable customers to migrate their landline and cellular telephone numbers to cellular or PCS providers and from a cellular or PCS provider to another service provider. On February 8, 1999, the FCC extended the deadline for compliance with this requirement to November 24, 2002, subject to any later determination that number portability is necessary to conserve telephone numbers. Another carrier has asked the FCC to forbear from applying this requirement to cellular and PCS carriers. While we supported this petition, there can be no assurance that the request will be granted.

The FCC has also adopted rules requiring cellular and PCS providers to provide certain functions to facilitate electronic surveillance by law enforcement officials by September 30, 2001, and others by November 19, 2001. The FCC will establish a new date by which carriers must be able to provide additional surveillance capabilities, which will be no later than June 30, 2002. We have sought permission for a flexible deployment schedule from the FCC. The FCC has not ruled on the request and there can be no assurance that the FCC will grant the request. In addition, in August 2000, the U.S. Court of Appeals for the District of Columbia Circuit invalidated some of these rules and remanded them to the FCC for further consideration. Various other petitions are pending before the FCC seeking suspension or further extensions of the deadlines applicable to providing surveillance capabilities. It is not known how the FCC will revise its rules or whether it will extend any of the compliance deadlines or what the scope of penalties for failing to comply may be.

In 1997, the FCC determined that the rate integration requirement of the Communications Act of 1934 applies to the interstate, interexchange services of commercial mobile radio service providers. Rate integration requires a carrier to provide service between the continental U.S. and offshore U.S. states and territories under the same rate structure applicable to service between two points in the continental U.S. The FCC delayed implementation of the rate integration requirements with respect to the wide area rate plans we offer pending further reconsideration of its rules. The FCC also delayed the requirement to integrate commercial mobile

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radio service long-distance rates among commercial mobile radio service affiliates. On December 31, 1998, the FCC reaffirmed, on reconsideration, that its interexchange rate integration rules apply to interexchange commercial mobile radio service services. The FCC announced it would initiate a further proceeding to determine how integration requirements apply to typical commercial mobile radio service offerings, including one-rate plans. In July 2000, the U.S. Court of Appeals for the District of Columbia Circuit reversed the FCC' s holding that the Communications Act unambiguously extends rate integration to providers of commercial mobile services. The court remanded the matter to the FCC for further consideration. Pending conclusion of this further proceeding, the rate integration requirement does not apply to commercial mobile services. To the extent that we are required to offer services subject to the FCC' s rate integration requirements, our pricing flexibility will be reduced. We cannot assure you that the FCC will decline to impose rate integration requirements on us or decline to require us to integrate our commercial mobile radio service long-distance rates across our commercial mobile radio service affiliates.

In 1998, the FCC adopted new rules limiting the use of customer proprietary network information by telecommunications carriers in marketing a broad range of telecommunications and other services to their customers and the customers of affiliated companies. Certain provisions of these rules were struck down by the U.S. Court of Appeals for the Tenth Circuit in 1999, and the effectiveness of these provisions has been stayed pending reconsideration by the FCC.

State commissions have become increasingly aggressive in their efforts to conserve numbering resources. Examples of state conservation methods include: number pooling, number rationing and code sharing. A number of states have petitioned the FCC for authority to adopt "technology specific" overlays that would require wireless providers to obtain telephone numbers out of a separate area code and may require wireless providers to change their customers' telephone numbers. These efforts may impact wireless service providers by imposing additional costs or limiting access to numbering resources.

The FCC has adopted detailed billing rules for landline telecommunications service providers and applied a number of these rules to CMRS providers. The FCC is considering whether carriers that decide to pass through their mandatory universal service contributions to their customers should be required to provide a full explanation of the program, and whether to ensure that the carriers that pass through their contribution do not recover amounts greater than their mandatory contributions from their customers. Adoption of some of the FCC' s proposals could increase the complexity of our billing processes and restrict our ability to bill customers for services in the most commercially advantageous way.

The FCC has adopted an order that determines the obligations of telecommunications carriers to make their services accessible to individuals with disabilities. The order requires telecommunications services providers to offer equipment and services that are accessible to and useable by persons with disabilities. While the rules exempt telecommunications carriers from meeting general disability access requirements if such results are not readily achievable, it is not clear how liberally the FCC will construe this exemption. Accordingly, the rules could require us to make material changes to our network, product line, or services at our expense.

The FCC has adopted rules specifying standards and the methods to be used in evaluating radio frequency emissions from radio equipment, including network equipment and handsets used in connection with CMRS. These rules were upheld on appeal by the U.S. Court of Appeals for the Second Circuit. The U.S. Supreme Court declined to review the Second Circuit' s ruling. Our network facilities and the handsets we sell to customers comply with these standards.

Media reports have suggested that some radio frequency emissions from wireless handsets may be linked to health concerns, including the incidence of cancer. Although some studies have suggested that radio frequency emissions may cause certain biological effects, all of the expert reviews conducted to date have concluded that the evidence does not support a finding of adverse health effects but that further research is appropriate. Earlier this year, Cellular Telecommunications Industry Association entered into a Cooperative Research and Development Agreement to sponsor such research.

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Studies have shown that some hand-held digital telephones may interfere with some medical devices, including hearing aids and pacemakers. The Food and Drug Administration has recently issued guidelines for the use of wireless phones by pacemaker wearers. Additional studies are underway to evaluate and improve the compatibility of hearing aids and digital wireless phones.

State and local regulation

State and local governments are preempted from regulating either market entry by, or the rates of, wireless providers. However, state governments can regulate other terms and conditions of wireless service and several states have imposed, or have proposed legislation that will impose, various consumer protection regulations on the wireless industry. As noted above, states also may impose their own universal service support regimes on wireless and other telecommunications carriers, similar to the requirements that have been established by the FCC and have been delegated certain authority by the FCC in the area of number allocation and administration. At the local level, wireless facilities typically are subject to zoning and land use regulation. However, under the Telecommunications Act, neither local nor state governments may categorically prohibit the construction of wireless facilities in any community or unreasonably discriminate against a carrier. Numerous state and local jurisdictions have considered imposing conditions on a driver' s use of wireless technology while operating a motor vehicle, and a few have actually done so.

Our Relationship with AT&T Corp.

On July 9, 2001, we split from AT&T as an independent public company. Prior to the split-off, our business was run as a division of AT&T referred to as AT&T Wireless Group, the economic value of which was intended to be reflected by AT&T Wireless Group tracking stock, which was a class of common stock of AT&T that was listed on the New York Stock Exchange under the symbol "AWE." AT&T Wireless Group was an integrated set of businesses, assets and liabilities consisting of AT&T' s wireless operations. We continue to have contractual and commercial relationships with AT&T following the split-off.

Agreements between AT&T and us relating to the split-off

The specific terms and conditions of the split-off are governed by a separation and distribution agreement between AT&T and us. In addition, we and AT&T have entered into a number of other agreements in connection with the split-off, which are summarized below. The summaries of these documents that follow are qualified in their entirety by reference to the full text of these documents, which are incorporated into this document by reference.

Separation and Distribution Agreement

The separation and distribution agreement sets forth the agreements between us and AT&T with respect to the principal corporate transactions required to effect the split-off, and a number of other agreements governing the relationship between us and AT&T following the split-off.

The Separation. Pursuant to an asset transfer agreement and the separation and distribution agreements described below, AT&T has transferred, or caused its subsidiaries to transfer, to us:

all assets allocated to AT&T Wireless Group by AT&T' s charter that were not then held by us;

all assets reflected in the most recent balance sheet of AT&T Wireless Group that were not then held by us;

specified contracts that relate to AT&T Wireless Group; and

other specified assets.

These assets are referred to as the "additional wireless group assets."

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We also agreed to assume or fulfill:

- all liabilities allocated to AT&T Wireless Group by AT&T’ s charter to which we or our subsidiaries were not then subject;
- all liabilities reflected in the most recent balance sheet of AT&T Wireless Group to which we were not then subject;
- all liabilities to the extent arising out of, relating to or resulting from the operations of AT&T Wireless Group, including its contracts and assets;
- all liabilities to the extent arising out of, relating to or resulting from terminated, divested or discontinued businesses and operations that were part of AT&T Wireless Group immediately before termination, divestiture or discontinuation;
- all liabilities to the extent arising out of, relating to or resulting from, a specified list of litigation;
- all liabilities to the extent arising out of, relating to or resulting from the provision of, or failure to provide, telecommunications services by AT&T Wireless Group;
- a portion of the liabilities, if any, resulting out of an action relating to AT&T Wireless Group’ s assets in Malaysia, subject to certain adjustments;
- a portion of the liabilities, if any, arising out of specified purported securities class action litigation to the extent relating to AT&T Wireless Group tracking stock;
- specified liabilities resulting from the split-off;
- obligations and commitments under specified contracts; and
- other specified liabilities.

These liabilities are referred to as “additional wireless group liabilities.”

Generally, neither we nor AT&T made any representation or warranty as to:

- the assets, businesses or liabilities transferred or assumed;
- any consents or approvals required in connection with that transfer or assumption;
- the value or freedom from any lien or other security interest of any of the additional wireless group assets; and
- the absence of any defenses or freedom from counterclaim relating to any claim of any person, or as to the legal sufficiency of any assignment, document or instrument delivered to convey title to any asset transferred.

In addition, the wireless group assets were transferred on an “as is,” “where is” basis, and we bear the economic and legal risks that the conveyance is insufficient to vest good and marketable title, free and clear of any lien or other security interest.

We and AT&T generally also have agreed to terminate all agreements, understandings and arrangements among us and AT&T with specified exceptions. We have repaid the full amount of the principal and accrued but previously unpaid interest of all outstanding indebtedness owed by AT&T Wireless Group to AT&T and the face value and accrued but previously unpaid dividends on all preferred stock in AT&T Wireless Group held by AT&T.

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Releases and Indemnification. The separation and distribution agreement generally provides for a full and complete release and discharge as of the date of the completion of the mandatory exchange of all liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the date of the completion of the mandatory exchange between or among AT&T and its affiliates, on the one hand, and us

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and our affiliates, on the other hand, including any contractual agreements or arrangements existing or alleged to exist between or among those parties on or before that date.

We have agreed to indemnify, defend and hold harmless AT&T and its affiliates, and each of their directors, officers and employees, from and against all liabilities relating to, arising out of or resulting from:

the failure of us, or our affiliates, or any other person to pay, perform or otherwise promptly discharge any of the liabilities of AT&T Wireless Group or additional wireless group liabilities;

any liabilities of AT&T Wireless Group or additional wireless group liabilities;

any breach by us or our affiliates of the separation and distribution agreement or any of the ancillary agreements entered into in connection with the separation and distribution agreement; and

specified disclosure liabilities.

AT&T has agreed to indemnify, defend and hold harmless us and our affiliates, and each of our directors, officers and employees, from and against all liabilities relating to, arising out of or resulting from:

the failure of AT&T or its affiliates or any other person to pay, perform or otherwise promptly discharge any liabilities of AT&T, other than liabilities of AT&T Wireless Group or additional wireless group liabilities;

any liabilities of AT&T, other than liabilities of AT&T Wireless Group or additional wireless group liabilities;

any breach by AT&T or its affiliates of the separation and distribution agreement or any of the ancillary agreements entered into in connection with the separation and distribution agreement; and

specified disclosure liabilities.

The separation and distribution agreement also specifies procedures for claims for indemnification made under the provisions described above.

Agreement on split-off taxes and limitations on future transactions. Under the separation and distribution agreement, we are responsible for any tax liability and any related liability (e.g., interest, penalties, accounting, legal and other professional fees, etc.) that results from the split-off failing to qualify as a tax-free transaction, unless any such liability was caused by:

the inaccuracy of certain factual representations made by AT&T in connection with obtaining a private letter ruling from the IRS (or in connection with obtaining a tax opinion); or

a post-split-off transaction with respect to the stock or assets of AT&T.

In addition, we have agreed that, for a period of 30 months from the date of the distribution:

we will continue to be a company engaged in the active conduct of a trade or business as defined in Section 355(b) of the Internal Revenue Code; and

we will not enter into any transaction or transactions as a result of which any person or group of related persons would acquire, or have the right to acquire, our stock that represents more than 5% of the vote or value of all outstanding shares of our stock and we will not take any other action (including action inconsistent with the representations made to the IRS or counsel in connection with split-off

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rulings or opinions) that could be reasonably likely (taken together with other relevant transactions) to jeopardize the tax-free status of the split-off to AT&T or its shareholders, in each case unless

- AT&T determines that the transaction or transactions would not render the split-off taxable; or

- We or AT&T, at AT&T' s election, obtain a tax opinion or private letter ruling from the IRS confirming that the subsequent transaction will not render the split-off taxable.

Amendments and waivers. The separation and distribution agreement provides that no provisions of it or any ancillary agreement will be deemed waived, amended, supplemented or modified by any party unless the

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waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom that waiver, amendment, supplement or modification is sought to be enforced.

Brand License Agreement

We and AT&T have entered into a brand license agreement. This agreement gives us rights to continue to use specified AT&T brands, including the AT&T globe design and the AT&T trade dress. The rights are granted royalty free, although we are required to pay a maintenance fee. The brand license agreement allows us to use these AT&T brands, alone or in combination with our other marks, for the following:

provision of our mobile wireless services (including so-called third-generation services),

residential fixed wireless services, and

certain ancillary products and services.

We have these rights for five years following the completion of the split-off. After the initial five-year period, we may renew our rights to these AT&T brands for an additional five-year period. During the initial or renewal period, we may terminate the brand license agreement on 12 months prior notice. In addition, we may continue to use these AT&T brands during a transition period after the brand license agreement is terminated.

We are able to use these AT&T brands exclusively in connection with the following:

wide-area mobile cellular services,

aircraft to ground services,

specified ancillary wireless services, and

certain wireless devices and portals.

We are able to use these AT&T brands non-exclusively in connection with the following:

residential fixed wireless services in some territories;

specified content, equipment and software associated with our services; and

some wireless devices, portals and promotional products.

During the term of the brand license agreement and within certain areas, AT&T will not license these brands to third parties for providing residential local telephony or high speed internet access services through services that would have directly competed with our residential fixed wireless services, unless AT&T, or its present or future affiliates, has an equity interest in the third party, provides a core component of those services or has a direct relationship with the end-user customers.

In the two years following the split-off, we can obtain a non-exclusive license to use these AT&T brands for specified small business fixed wireless services if we enter into a distribution agreement with AT&T relating to fixed wireless services.

We can generally use these AT&T brands worldwide except where AT&T has already granted exclusive brand licenses or where another AT&T unit has exclusive rights. AT&T also has granted a non-exclusive brand license in the Republic of China, and accordingly we do not

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have exclusive use of the AT&T brands in that area. With some conditions, we can extend some rights to use these AT&T brands to authorized dealers.

To maintain our rights, we must comply with specified quality, customer care, graphics and marketing standards in connection with our use of these AT&T brands. While we are using the AT&T brands, we must also pay AT&T a brand maintenance fee. AT&T may terminate the brand license agreement in the event of a significant breach or a change of control of us.

Master Carrier Agreement and Other Commercial Agreements

We and AT&T have entered into a master carrier agreement. This agreement requires AT&T to provide voice and data telecommunications services to us for five years. AT&T will provide both wholesale services,

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which we will use as a component of wireless services we provide to our customers, and administrative services, for example, corporate usage that we will use ourselves.

We are required to purchase in each year an amount of wholesale domestic voice services equal to our actual usage in 2001. The pricing at which AT&T provides these services is subject to internal and external benchmarking. We are not required to purchase from AT&T wholesale domestic voice services in excess of this commitment, although AT&T has a right to match any third party offers until 2003 for 80% of any excess. From 2003 until the agreement ends, we may purchase such service in excess of the commitment from any carrier.

We are also required to purchase all international voice services from AT&T.

We are required each year to purchase domestic administrative services, data and voice, at a level equal to 80% of our purchases in 2000. We will purchase our local connectivity and business needs from AT&T if AT&T meets committed levels of performance, and offers price and performance terms at least as favorable as those offered by other providers.

We and AT&T also have entered into other commercial agreements. These include agreements:

governing the physical interconnection of their networks and other intercarrier arrangements;

relating to SS7 signaling services to be provided by us to AT&T' s business services unit;

agreements under which AT&T will provide space and power in various AT&T locations for our equipment; and

an agreement under which we will provide wireless services to AT&T for administrative purposes.

Upon either party being acquired by a significant competitor of the other, the party not being acquired has a right to terminate certain of the agreements, including the network service agreement. Alternatively, the party not being acquired may elect to keep the network service agreement in effect with certain modifications. Those modifications will include eliminating AT&T' s right to match third party offers, and, if we are acquired, changing the domestic voice purchase requirement to 90% of the past twelve months usage, eliminating internal benchmarking, and increasing the frequency of external benchmarking.

Agency and Referral Agreement

We and AT&T also entered into an agency and referral agreement. This agreement covers AT&T' s acting as an agent on our behalf to assist us in obtaining business with AT&T' s business customers. Upon either party being acquired by a significant competitor of the other, the party not being acquired has the right to terminate this agreement.

Employee Benefits Agreement

We and AT&T entered into an employee benefits agreement that covers a wide range of compensation and benefit issues. In general, we are responsible for all obligations and liabilities relating to current and former employees of us and the AT&T Wireless Group and their dependents and beneficiaries after the split-off date, and AT&T is responsible for the obligations and liabilities before the split-off date. We refer to individuals who were employees of AT&T or its affiliates and were transferred to us or our affiliates as transferred individuals.

Our plans recognize and credit transferred individuals with their full service with AT&T or its affiliates for purposes of participation, vesting and the schedule of benefits, but not for purposes of benefit accruals under defined benefit pension plans. Account balances of transferred individuals under AT&T defined contribution plans vested on the split-off date, and they were allowed to make a one-time election to transfer their accounts to our 401(k) Plan. Each transferred individual vested in his accrued benefit under the AT&T pension plans on the split-off date. Transferred individuals were also entitled to a distribution of their accounts under the AT&T Employee Stock Ownership Plan.

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Employee options to purchase AT&T common stock or AT&T Wireless Group tracking stock were adjusted as part of the split-off. The nature of the adjustment depended upon whether the option was granted for AT&T common stock or AT&T Wireless Group tracking stock. Options to purchase AT&T Wireless Group tracking stock were converted into options to purchase our common stock. Options to purchase AT&T common stock granted before January 1, 2001 were converted into two separate options, one to purchase AT&T common stock and another to purchase our common stock. Options to purchase AT&T common stock granted on or after January 1, 2001 were adjusted to increase the number of shares subject to the option, based on the relative market price of AT&T common stock immediately before and immediately after the split-off. All of the AT&T common stock options and AT&T Wireless Group tracking stock options referred to in this paragraph were subject to adjustment, with the intention of retaining the same intrinsic value of the options immediately before and after the adjustment. AT&T options held by our employees and AT&T Wireless Services options held by AT&T employees after the split-off were fully vested and continue to be exercisable for the scheduled option term. In all other respects, options to purchase our common stock and options to purchase AT&T common stock held by transferred individuals and current and former AT&T employees were subject to the same terms and conditions as set forth respectively in the original AT&T Wireless Group tracking stock option grant and the AT&T stock option grant. Similar adjustments were made to grants of restricted shares, restricted stock units, and performance shares under the AT&T plans, although the awards for each individual were denominated in shares of that individual' s employer.

Intellectual Property Agreements. We and AT&T entered into an intellectual property agreement. The intellectual property agreement specifies the ownership and license rights in patents, software, copyrights, and trade secrets, but not the AT&T brands. Under the terms of the intellectual property agreement, we and AT&T granted each other a non-exclusive, fully paid-up, worldwide, perpetual and irrevocable license under its patents to make, use and sell any and all products and services in the conduct of its present and future business. The parties also grant special rights under certain of each other' s patents for defensive protection, special affiliate licensing, and supplier licensing. In addition, AT&T will refrain from licensing some of its patents to our ten largest domestic mobile service competitors for a period of five years and will grant us a nonexclusive right to direct the licensing of certain AT&T patents to certain third parties and receive half of the net royalties.

We and AT&T each own all the software, trade secrets, and copyrights created by it before the split-off. We and AT&T granted each other a non-exclusive, fully paid-up, worldwide, perpetual and irrevocable license to use each other' s software, trade secrets, and copyrights that the other currently possesses for use in its present and future business. The agreement also protects proprietary information related to customers. In the event of a change of control of us involving parties of a certain nature, the scope of the intellectual property rights granted to us would automatically narrow, our special rights would terminate and AT&T' s agreement not to license to our competitors would terminate.

Tax Sharing Agreement. We and AT&T have also amended our existing tax sharing agreement. The amended tax sharing agreement provides that:

AT&T is responsible for any tax item resulting from asset transfers from AT&T Wireless Group to AT&T Common Stock Group before the split-off;

the accounts between AT&T and AT&T Wireless Group were adjusted for unpaid amounts under the tax sharing agreement before the split-off; and

no tax sharing payments were made with respect to taxable periods (or portions thereof) beginning after the split-off date.

The tax sharing agreement also contains provisions that govern tax contests and other related matters with respect to tax periods before the split-off date.

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Services Agreement. We and AT&T entered into a services agreement. This agreement governs the following corporate support services:

common support services;

inter-unit services; and

systems replication and systems services.

The agreement generally runs for 18 months and the individual services are generally terminable on 30 to 180 days' notice.

Common support services. Common support services include services historically provided at a corporate headquarters level, such as financial management, tax, media relations, human resources administration, procurement, real estate management and other administrative functions. Charges for these services will allow the provider to recover the costs of such service, plus all out-of-pocket costs and expenses, but without any profit.

Inter-unit services. Inter-unit services include services historically provided by one business unit to another, such as billing, systems development and customer care. The charges for these services will allow the provider to recover the cost of such service, plus all out-of-pocket costs and expenses. In some instances the company providing the service will recover a profit.

Systems replication and systems service. AT&T supplies to us technology systems and support services. For example, AT&T provides information linkages between our web site and *att.com.* The charges for these services are based on a "cost plus" formula intended to allow AT&T to recover its fully-allocated cost, plus a profit.

DoCoMo Strategic Investment

On January 22, 2001 NTT DoCoMo, Inc., a leading Japanese wireless communications company, invested approximately $9.8 billion for shares of a new class of AT&T Corp. preferred stock which were convertible into 406,255,889 shares of AT&T Wireless Group tracking stock, which were called "DoCoMo wireless tracking stock," and that were intended to reflect approximately 16% of the financial performance and economic value of AT&T Wireless Group. As part of this investment, DoCoMo also received five-year warrants to purchase the equivalent of an additional 41,748,273 shares of AT&T Wireless Group tracking stock at $35 per share, and AT&T Wireless and DoCoMo formed a strategic alliance to develop the next generation of mobile multimedia services on a global-standard, high-speed wireless network. Of the 406,255,889 AT&T Wireless Group tracking stock share equivalents issued to DoCoMo, 228,128,307 shares represented new share equivalents at $27.00 each, and the remaining 178,127,582 share equivalents represented a reduction of the retained portion of the value of AT&T Wireless Group by the AT&T Common Stock Group (which consisted of the operations of AT&T other than those attributed to AT&T tracking stocks) at $20.50 each. Accordingly, AT&T Common Stock Group retained $3,651,615,431 of the proceeds of the DoCoMo investment and allocated $6,159,464,289 to AT&T Wireless Group.

Immediately before the completion of the split-off, each share of DoCoMo wireless tracking stock automatically was converted into 500 shares of AT&T Wireless Group tracking stock, subject to anti-dilution protection, and was redeemed in exchange for 406,255,889 shares of our common stock on the same terms as all other shares of AT&T Wireless Group tracking stock in the split-off.

Pursuant to the exercise of preemptive rights as described below, DoCoMo acquired an additional 26,734,557 shares of our common stock for an aggregate purchase price of $381,769,474 in February 2002. As of February 2002, DoCoMo owned 432,990,446 shares of our common stock and could acquire an additional approximately 41,748,273 shares of our common stock upon exercise of the warrants.

The following is a summary of the material provisions of the agreements among DoCoMo, AT&T Corp. and us that apply to us after our split-off from AT&T. This summary is qualified in its entirety by reference to the full text of these documents.

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Warrants

DoCoMo acquired 83,496.546 warrants, each of which is exercisable for 500 shares of our common stock, or a total of 41,748,273 shares, at an exercise price of $35 per share, subject to customary anti-dilution adjustments. The warrants are subject to the transfer restrictions described under "– DoCoMo Investment Rights and Obligations."

DoCoMo Investment Rights and Obligations

In addition to the rights inherent in the shares of our common stock, under the agreements, DoCoMo has additional rights and obligations with respect to its investment in us.

Transfer Restrictions. Without our consent, for 18 months following the investment, DoCoMo may not transfer any warrants or any shares of our common stock that it receives on conversion of DoCoMo wireless tracking stock, except if specified events occur. Those events are:

a sale of all or substantially all of our assets or business through merger or other business combination unless our shareholders continue to own two-thirds of the successor corporation;

our acquisition or acquisitions of business or assets, other than radio spectrum rights, totaling more than $25 billion; or

a tender offer or exchange offer approved by our board of directors.

In addition, subject to a limited exception, without our consent, DoCoMo may not transfer any of our securities to any person if after the transfer the recipient' s interest in us would exceed 6%, or exceed 10% in the case of recipients, principally financial institutions, who are eligible to report their interest on Schedule 13G under the Securities Exchange Act.

None of DoCoMo' s special rights are transferable by DoCoMo along with the shares, except that DoCoMo may transfer its demand registration rights described below to any transferee of more than $1 billion of our securities, and DoCoMo may transfer one demand registration right to a transferee of the warrants. Any transfer of registration rights will be subject to overall limitations on the registration rights and will not increase our aggregate registration obligations.

Repurchase obligations for failure to meet primary third-generation technology benchmarks within specified time frame. DoCoMo may require us to repurchase the warrants and the stock that DoCoMo still holds if, prior to June 30, 2004:

We abandon W-CDMA as our primary technology for third-generation services, or

We fail to launch services based on UMTS, or W-CDMA, in at least 13 of the top 50 U.S. markets, unless

- DoCoMo ceases to actively support and promote wireless services using W-CDMA technology as its standard for wireless third-generation services;
- such failure is due to factors outside our reasonable power to affect or control, including due to the unavailability, or a delay in the availability, of equipment, software, spectrum, or cell sites;
- such failure is due to our inability to obtain regulatory approvals, permits, or licenses without the imposition of burdensome conditions or restrictions; or
- our board of directors determines that, due to regulatory or legal issues, or other external factors, deployment of such a system is no longer advisable from a business perspective.

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The repurchase price will be DoCoMo' s original purchase price plus interest of a predetermined rate. If DoCoMo requires repayment because of our failure to commence service using an agreed technology as described above, we will be obligated to fund the entire amount of the repurchase obligation, which is $9.8 billion, plus interest. In lieu of paying all or a portion of the repurchase price, we will have the right to cause DoCoMo to sell any portion of its shares in a registered sale, and to pay DoCoMo the difference

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between the repurchase price and the proceeds from the registered sales. We also have the right to pay the portion of the repurchase price attributable to the warrants with our common stock.

Standstill. Until the fifth anniversary of the closing of the investment, DoCoMo, its controlled subsidiaries, when acting on behalf of DoCoMo, its officers, directors or agents, or any subsidiary to which DoCoMo has disclosed confidential information regarding its investment may not take a number of actions, including the following, without our consent:

acquire or agree to acquire any voting securities of AT&T or us, except in connection with DoCoMo' s exercise of its preemptive rights, conversion rights or warrants;

solicit proxies with respect to AT&T' s or our voting securities or become a participant in any election contest relating to the election of the directors of AT&T or us;

call or seek to call a meeting of the AT&T or our shareholders or initiate a shareholder proposal;

contest the validity of the standstill in a manner that would lead to public disclosure;

form or participate in a group that would be required to file a Schedule 13D with the SEC as a "person" within the meaning of Section 13(d)(3) of the Securities Exchange Act; or

act in concert with any person for the purpose of effecting a transaction that would result in a change of control of AT&T or us.

After the fifth year anniversary of the investor agreement, DoCoMo will continue to be subject to the standstill for so long as DoCoMo has the right to nominate at least one director. However, DoCoMo will be released from the standstill 91 days after the resignations of all of its representatives on our board of directors, all of DoCoMo' s nominated committee members and all of DoCoMo' s nominated management. After these resignations, we may take steps to terminate or sequester all of the other DoCoMo nominated employees.

If Nippon Telephone and Telegraph Corporation ("NTT"), which owns approximately two-thirds of DoCoMo, or any of NTT' s subsidiaries other than DoCoMo takes any action contrary to the standstill restrictions and the action leads to any vote of our shareholders, then DoCoMo either must vote its shares as our board of directors directs, or must vote its shares in proportion to the votes cast by the shareholders that are not affiliated with either DoCoMo or NTT. In addition, if NTT or any of its subsidiaries commences a tender offer for AT&T or our securities, DoCoMo cannot tender or transfer any of its securities into that offer until all of the conditions to that offer have been satisfied.

The standstill provisions described above will terminate in the following circumstances:

a third party unaffiliated with us commences a tender or exchange offer of 15% or more of our outstanding voting securities and we do not publicly recommend that our shareholders reject to the offer;

we enter into a definitive agreement to merge into or sell all or substantially all of our assets to a third party unless our shareholders retain at least 50% of the economic and voting power of the surviving corporation; or

we enter into a definitive agreement that would result in any one person or groups of persons acquiring more than 35% of our voting power, unless, among other things, this person or group agrees to a standstill.

The standstill provisions terminate with respect to AT&T two years after the split-off (or, if sooner, upon any of the foregoing three events as applied to AT&T).

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Registration rights. Subject to certain exceptions and conditions, DoCoMo is entitled to require us to register shares of our common stock on up to seven occasions, provided that each demand meets certain minimum offering size conditions. DoCoMo cannot exercise more than one demand right in any seven and a half month period. DoCoMo also is entitled to require us to register securities for resale in an unlimited number of incidental registrations, commonly known as piggy-back registrations. DoCoMo will cease to be

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entitled to these registration rights if it owns less than $1 billion of our securities, as the case may be, and securities reflecting less than 2% of the financial performance and economic value of us.

Board representation. DoCoMo is entitled to nominate a number of representatives on our board of directors proportional to its economic interest acquired as a result of its investment. The DoCoMo nominees for these board seats must be senior officers of DoCoMo that are reasonably acceptable to us. DoCoMo will lose these board representation rights if its economic interest in us falls below 10% for 60 consecutive days. However, as long as it retains 62.5% of the shares of its original investment or shares of our common stock, DoCoMo will lose its board representation rights only if its economic interest in us falls below 8% for 60 consecutive days.

Management rights. Subject to our reasonable approval, DoCoMo can appoint between two and five of its employees as our employees, such as the Manager-Finance and Director of Technology. DoCoMo will lose these rights under the same circumstances as it would lose board representation rights.

Right to approve specified actions. We may not take any of the following actions without DoCoMo' s prior approval:

- change the scope of our business such that our then existing businesses (including those in our business plan) cease to constitute our primary businesses; or

- enter into a strategic alliance with another wireless operator so that the wireless operator would own more than 15% but less than 50% of the economic interest in us.

DoCoMo will lose these approval rights under the same circumstances as it would lose board representation rights.

Preemptive rights. DoCoMo has limited preemptive rights that entitle it to maintain its ownership interest by purchasing shares in our new equity issuances. In the event of a new equity issuance, then:

- if DoCoMo holds 12% or more of the economic interest of us at the time of the new issuance, DoCoMo may purchase a number of additional shares that would bring DoCoMo' s economic interest back up to 16%; and

- if DoCoMo holds less than 12% of the economic interest of us at the time of the new issuance, DoCoMo may purchase a number of additional shares that would maintain DoCoMo' s economic interest at the level it was at just before the new issuance.

In most cases, the purchase price for these additional shares will be the issuance price. DoCoMo will lose these preemptive rights under the same circumstances as it would lose board representation rights.

Strategic Alliance

In connection with DoCoMo' s investment, we and DoCoMo formed a strategic alliance to develop the next generation of mobile multimedia services on a global-standard, high-speed wireless network. We have created a new, wholly owned subsidiary to foster the development of multimedia content, applications and services offerable over our current network, as well as on new, high-speed wireless networks built to global standards for third-generation services. We have contributed, among other things, our rights to content and applications used in our PocketNet service to the new multimedia subsidiary. Both we and DoCoMo provide technical resources and support staffing. In addition, we will be able to license from DoCoMo, without additional payment, certain rights to DoCoMo' s "i-mode" service, which provides access to the Internet from wireless telephones, and related technology.

The strategic alliance is expected to enable DoCoMo and us to offer market-appropriate wireless services to customers throughout the U.S. and Japan respectively. In addition, each of us has agreed, subject to technical and commercial feasibility, to recognize the other as its primary and preferred roaming partner in the other party' s home territory.

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We and DoCoMo have agreed to certain non-competition commitments that restrict each other' s ability to provide mobile wireless services in the U.S. and Japan, respectively. We and DoCoMo have also agreed to limit the extent to which we and DoCoMo will be able to participate in certain mobile multimedia activities and investments in each other' s home territory. We and DoCoMo will generally be bound by the non-competition commitments until DoCoMo loses its board representation and management rights, either due to any of the events described under "– Board Representation" and "– Management Rights," or due to voluntary relinquishment of such rights by DoCoMo.

Some of DoCoMo' s rights under the investment agreement, including the repurchase rights and veto rights, could limit our flexibility to finance our operations or engage in some types of strategic transactions that we might otherwise pursue.

Additional Factors That May Affect Our Business, Future Operating Results and Financial Condition

You should carefully consider the following factors that may affect our business, future operating results and financial condition, as well as other information included in this Annual Report. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, financial condition and operating results could be materially adversely affected.

Factors Relating to Our Business

We may substantially increase our debt in the future, which could subject us to various restrictions and higher interest costs and decrease our cash flow and earnings.

We may substantially increase our debt in the future which could subject us to various restrictions and higher interest costs and decrease our cash flow and earnings. We may also encounter difficulties in obtaining all the financing we need to fund our business and growth strategy on desirable terms. We may require substantial additional financing to fund capital expenditures, license purchases and costs and expenses in connection with funding our operations, domestic and international investments and growth strategy. We are exploring and evaluating the relative advantages and disadvantages of various funding mechanisms. Other funding mechanisms that still may be considered include other forms of public and private debt facilities. The decision on debt composition is dependent on, among other things, our business and financial plans and the market conditions at the time of financing. The agreements governing this indebtedness may contain financial and other covenants that could impair our flexibility and restrict our ability to pursue growth opportunities.

Our relationship with NTT DoCoMo, Inc. contains features that could adversely affect our financial condition or the way in which our business is conducted.

DoCoMo, a leading Japanese wireless communications company, is our largest shareholder, and the agreements relating to DoCoMo' s investment contain requirements and contingencies that could materially adversely affect our financial condition and technology strategies. The terms of the DoCoMo investment enable DoCoMo to terminate its investment and require repayment of its $9.8 billion investment, plus interest, if we fail, under some circumstances, to commence service using an agreed-on technology in at least 13 of the top 50 domestic markets by June 30, 2004. If DoCoMo requires repayment, we will have to fund the entire repurchase obligation. If DoCoMo requires repayment of its investment, it may also terminate the technology rights provided to us in connection with its investment. We need to obtain DoCoMo' s consent to make any fundamental change in the nature of our business or to allow another wireless operator to acquire more than 15% but less than 50% of our equity. These limitations could prevent us from taking advantage of some business opportunities or relationships that we might otherwise pursue.

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Our significant network build-out requirements may not be completed as planned.

We need to complete significant build-out activities, including:

- completion of regularly required build-out activities in some of our existing wireless markets;
- deployment of GSM/ GPRS in the remainder of our markets;
- deployment of third-generation technology to support enhanced data services.

Failure or delay to complete the build-out or enhancement of our networks and launch of operations, or increased costs of this build-out and launch of operations, could have a material adverse effect on our operations and financial condition. As we continue to build out our network, we must, among other things, continue to:

- lease, acquire or otherwise obtain rights to a large number of cell and switch sites;
- obtain zoning variances or other local governmental or third-party approvals or permits for network construction;
- complete the radio frequency design, including cell site design, frequency planning and network optimization, for each of our markets; and
- expand and maintain customer care, network management, billing and other financial and management systems.

In addition, problems in vendor equipment availability, technical resources or system performance could delay the launch of new or expanded operations in new or existing markets or result in increased costs in all markets. We intend to rely on the services of various companies that are experienced in design and build-out of wireless networks in order to accomplish our build-out schedule. However, we may not be able to obtain satisfactory contractors on economically attractive terms or ensure that our contractors will perform as we expect.

We have substantial capital requirements that we may not be able to fund.

Our strategy and business plan will continue to require substantial capital, which we may not be able to obtain on favorable terms or at all. A failure to obtain necessary capital would have a material adverse effect on us, and result in the delay, change or abandonment of our development or expansion plans and the failure to meet regulatory build-out requirements. We currently estimate that our capital expenditures for the build out of our mobility networks will total approximately $5.3 billion during 2002, as compared to $5.0 billion in 2001 and $3.7 billion in 2000. We also expect to incur substantial capital expenditures in future years. The actual amount of the funds required to finance our network build out and other capital expenditures may vary materially from management' s estimate. We have entered into various contractual commitments associated with the development of our third-generation strategy, of which approximately $1.5 billion were outstanding at December 31, 2001. These include purchase commitments for network equipment, as well as handsets. In addition, we anticipate that we will enter into material purchase commitments in the future. We also may require substantial additional capital for, among other uses, acquisitions of providers of wireless services, spectrum license or system acquisitions, system development and network capacity expansion. We have also entered into agreements for investments and ventures which have required or will require substantial capital, including our agreement to invest $2.6 billion in exchange for a combination of a non-controlling equity interest in, and debt securities issued by, Alaska Native Wireless, which was the successful bidder for licenses costing approximately $2.9 billion in the 1900 megahertz auction concluded in 2001. These agreements also may contain provisions potentially requiring substantial additional capital in future circumstances, such as allowing the other investors to require us to purchase assets or investments.

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The actual amount of funds necessary to implement our strategy and business plan may materially exceed current estimates, which could have a material adverse effect on our financial condition and results of operations.

The actual amount of funds necessary to implement our strategy and business plan may materially exceed our current estimates in the event of various factors including: departures from our current business plan, unforeseen delays, cost overruns, unanticipated expenses, regulatory developments, engineering design changes, and technological and other risks. If actual costs do materially exceed our current estimates for these or other reasons, this could have a material adverse effect on our financial condition and results of operations.

Our business and operations could be hurt if we are unable to establish new affiliate relationships to expand our digital network or if our existing or any new affiliates do not or cannot develop their systems in a manner consistent with our systems.

To accelerate the build out of widescale coverage of the U.S. by a digital mobile wireless network operating on the technical standards we have adopted, we have entered into affiliation agreements with other entities that provide wireless services or hold spectrum licenses. Through contractual arrangements between these affiliates and us, our customers are able to obtain service in the affiliates' territories, and the affiliates' customers are able to obtain service in our territory. In all markets where these affiliates operate, we are at risk because we do not control the affiliates. As a result, these affiliates are not obligated to implement our third-generation strategy. Our ability to provide service on a nationwide level and to implement our third- generation strategy could be adversely affected if these affiliates are unable or unwilling to participate in the further development of our digital network. We may establish additional affiliate relationships to accelerate build out of our digital mobile network. If we are unable to establish such affiliate relationships, or if any such affiliates are unable to or do not develop their systems in a successful manner consistent with our network, our ability to service our customers and expand the geographic coverage of our digital network could be adversely affected.

If the FCC fails to award to Alaska Native Wireless licenses for which it was the winning bidder in the 1900 megahertz spectrum auction concluded in 2001, or, in the future, revokes licenses awarded to Alaska Native Wireless, our ability to implement our third-generation strategy could be adversely affected and we could become obligated to repurchase other investors' interests in Alaska Native Wireless.

We have agreed to invest $2.6 billion in exchange for a combination of a non-controlling equity interest in and debt securities issued by Alaska Native Wireless, which was the winning bidder for licenses costing $2.9 billion in the 1900 megahertz auction concluded in 2001, which occurred in early 2001. On June 22, 2001, a federal appeals court ruled in favor of the trustee in the Chapter 11 bankruptcy proceeding of NextWave Telecom, Inc. and the unsecured creditors of NextWave with respect to the litigation they commenced relating to the 1900 megahertz auction. The court ruled that the FCC had acted improperly in repossessing from NextWave the spectrum offered in the 1900 megahertz auction. On March 4, 2002, the U.S. Supreme Court agreed to review the case. If the appeals court decision is not reversed, or if Alaska Native Wireless is otherwise unable to acquire the licenses for which it was the winning bidder, it could have a significant adverse impact on our opportunity to provide or enhance services in key new and existing markets. In specified circumstances, if a winning bid of Alaska Native Wireless in the 1900 megahertz spectrum auction concluded in 2001 is rejected or if any license granted to it is revoked, we would become obligated to compensate other investors for making capital available to the venture.

If we are unable to reach agreement with Alaska Native Wireless regarding the development and use of licenses for which it was the winning bidder in the 1900 megahertz spectrum auction concluded in 2001, our ability to implement our third-generation strategy may be adversely affected.

We have not reached any agreements with Alaska Native Wireless as to whether it will participate in our digital mobile wireless network. Alaska Native Wireless is not obligated to use or develop any spectrum it acquires in a manner that will further, or be consistent with, our strategic objectives, although Alaska Native Wireless is obligated to use technology that is compatible and interoperable with our digital mobile wireless network. If Alaska Native Wireless does not enter into agreements with us regarding the use and development

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of this spectrum similar to those we have entered into with our affiliates for our existing networks, we could experience a material adverse impact on the timing and cost of implementing our third-generation strategy.

Potential acquisitions may require us to incur substantial additional debt and integrate new technologies, operations and services, which may be costly and time-consuming.

An element of our strategy is to expand our network, which we intended to accomplish in part through the acquisition of TeleCorp PCS and which we may continue to pursue through other acquisitions of licenses, systems and wireless providers. The acquisition of TeleCorp PCS resulted in our assumption of substantial additional indebtedness. Further, other acquisitions may cause us to incur substantial additional indebtedness to finance such acquisitions or to assume indebtedness of the entities that are acquired. In addition, we may encounter difficulties in integrating those acquired operations into our own operations, including as a result of different technologies, systems, services or service offerings. These actions could prove costly or time-consuming or divert our management’ s attention from other business matters.

Our network upgrade project could have a negative impact on subscriber growth and retention, and our financial results.

Our efforts to convince customers to migrate from our TDMA services to our GSM/ GPRS and EDGE services may have the unintended effect of driving our TDMA customers to competitors rather than to our GSM/ GPRS or EDGE services.

The costs to operate our TDMA network could increase as our suppliers shift resources from second- to third-generation technology development, causing the prices of TDMA equipment to increase because of decreased economies of scale. As a result, the cost structure for our TDMA offerings might increase, resulting in increased churn of TDMA customers and reduced profitability.

Handsets that will operate on both our TDMA and GSM/ GPRS networks are more expensive than TDMA handsets and may have operational limitations, which could impede our efforts to sell GSM/ GPRS services and lead to increased churn. Our plans depend heavily on the deployment of new dual mode TDMA/ GSM/ GPRS handsets, referred to as “GAIT” phones. Because GAIT phones are required by only a limited number of carriers that operate both TDMA and GSM/ GPRS networks, they may not be produced in sufficient quantities when needed, and their limited use may be insufficient to achieve high economies of scale. These handsets are new products that may have operational limitations or sub-optimal features that may discourage customer use. If these handsets are not economical or attractive to customers, we may experience increased churn, our costs could increase, and our profitability could be reduced.

Failure to develop future business opportunities may have an adverse effect on our growth potential.

We intend to pursue a number of new growth opportunities, many of which are related to wireless data services. The ability to deploy and deliver these services relies, in many instances, on new and unproven technology. Our existing technology may not perform as expected and we may not be able to successfully develop new technology to effectively and economically deliver these services. These opportunities also require substantial capital outlays and spectrum availability to deploy on a large scale. The capital or spectrum may not be available to support these services. The success of wireless data services is substantially dependent on the ability of others to develop applications for wireless devices and to develop and manufacture devices that support wireless applications. These applications or devices may not be developed or developed in sufficient quantities to support the deployment of wireless data services. These services may not be widely introduced and fully implemented at all or in a timely fashion. These services may not be successful when they are in place, and customers may not purchase the services offered. If these services are not successful or costs associated with implementation and completion of the rollout of these services materially exceed those currently estimated by us, our financial condition and prospects could be materially adversely affected.

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We face substantial competition.

There is substantial competition in the wireless telecommunications industry. We expect competition to intensify as a result of the entry of new competitors and the development of new technologies, products and services. Other two-way wireless providers, including other cellular and personal communications services, operators and resellers, serve each of the markets in which we compete. Some of the indirect retailers who sell our services also sell our competitors' services. A majority of U.S. markets have five or more commercial mobile radio service providers, and all of the top 50 U.S. metropolitan markets have at least four, and in some cases as many as seven or more, facilities-based wireless service providers offering wireless services on cellular, personal communications services or specialized mobile radio frequency. Competition also may increase to the extent that smaller, stand-alone wireless providers transfer licenses to larger, better capitalized and more experienced wireless providers.

Market prices for wireless services may decline in the future.

We anticipate that market prices for two-way wireless services generally will decline in the future due to increased competition. We expect significant competition among wireless providers, including from new entrants, to continue to drive service and equipment prices lower. We also expect that there will be increases in advertising and promotional spending, along with increased demands on access to distribution channels. All of this may lead to greater choices for customers, possible consumer confusion, and increasing movement of customers between competitors, which we refer to as "churn." Our ability to compete successfully also will depend on marketing, and on our ability to anticipate and respond to various competitive factors affecting the industry, including new services, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by competitors.

Consolidation in the wireless communications industry may adversely affect us.

The wireless communications industry has been experiencing significant consolidation and we expect that this consolidation will continue. The mergers or joint ventures of Bell Atlantic Corporation/ GTE Corporation/ Vodafone AirTouch, now called Verizon, SBC/ BellSouth, now called Cingular, and Deutsche Telekom/ VoiceStream Wireless, have created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our offerings. These mergers or ventures have caused our ranking to decline to third in U.S. revenue and U.S. subscriber share. In terms of U.S. population covered by licenses, we, including our affiliates, rank third. As a result, these competitors may be able to offer nationwide services and plans more quickly and more economically than we can, and may be able to obtain roaming rates that are more favorable than those we can obtain, and may be better able to respond to our offers.

Our business and operations would be adversely affected if we fail to acquire adequate radio spectrum in FCC auctions or through other transactions.

Our domestic business depends on the ability to use portions of the radio spectrum licensed by the FCC. We could fail to obtain sufficient spectrum capacity in new and existing markets, whether through FCC auctions or other transactions, in order to meet the expanded demands for our existing services, as well as to enable development of third-generation services. This type of failure would have a material adverse impact on the quality of our services or our ability to roll out such future services in some markets. We intend to continue to acquire more spectrum through a combination of alternatives, including participation in spectrum auctions, purchase of spectrum licenses from companies that own them or purchase of these companies outright. As required by law, the FCC periodically conducts auctions for licenses to use some parts of the radio spectrum. The decision to conduct auctions, and the determination of what spectrum frequencies will be made available for auction, are provided for by laws administered by the FCC. The FCC may not allocate spectrum sufficient to meet the demands of all those wishing to obtain licenses. Even if the FCC determines to conduct further auctions in the future, we may not be successful in those future auctions in obtaining the spectrum that we believe is necessary to implement our business and technology strategies. We may also seek to acquire radio spectrum through purchases and swaps with other spectrum licensees or otherwise, including by purchases of

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other licensees outright. However, we may not be able to acquire sufficient spectrum through these types of transactions, and we may not be able to complete any of these transactions on favorable terms.

Significant technological changes in the wireless industry could materially adversely affect us.

The wireless communications industry is experiencing significant technological change. This change includes the increasing pace of digital upgrades in existing analog wireless systems, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products, enhancements and changes in end-user needs and preferences, increased importance of data and broadband capabilities, and migration to next-generation services. The pace and extent of customer demand may not continue to increase, and airtime and monthly recurring charges may continue to decline. As a result, the future prospects of the industry and of us and the success of our competitive services remain uncertain. Also, alternative technologies may develop for the provision of services to customers that may provide wireless communications service or alternative service superior to that available from us. Technological developments may therefore materially adversely affect us.

Our technology may not be competitive with other technologies or be compatible with next-generation technology.

There are three existing digital transmission technologies, none of which is compatible with the others. We selected time division multiple access technology for our second-generation network because we believe that this technology offers several advantages over other second-generation technologies. However, a number of other wireless service providers chose code division multiple access or global system for mobile communications as their digital wireless technology. For our path to next-generation technology, we have chosen a global system for mobile communications platform to make available, among other things, enhanced data services using general packet radio service technology, and third-generation capabilities using enhanced data rates for global evolution and ultimately universal mobile telecommunications systems technologies. These technologies may not provide the advantages we expect. Other wireless providers have chosen a competing wideband technology as their third-generation technology. If the universal mobile telecommunications standard does not gain widespread acceptance, it could materially adversely affect our business, financial condition and prospects. As we implement our plans for deployment of technology for third-generation capabilities, we will continue to incur substantial costs associated with maintaining our time division multiple access networks. Also, these networks are not compatible, and customers with phones that operate only on one network will not initially be able to use those phones on the other networks. There are risks inherent in the development of new third-generation equipment and we may face unforeseen costs, delays or problems that may have a material adverse effect on us.

Termination or impairment of our relationship with a small number of key suppliers could adversely affect our revenues and results of operations.

We have developed relationships with a small number of key vendors, including Nokia Mobile Phones, Inc., Sony Ericsson Mobile Communications, Siemens Aktiengesellschaft, Motorola, Inc. and Novatel Wireless, Inc., for our supply of wireless handsets; Nortel Networks, Inc., Telefonaktiebolaget LM Ericsson and Nokia Networks, Inc. for our supply of telecommunications infrastructure equipment and Convergys Information Management Group for our billing services. We do not have operational or financial control over our key suppliers and have limited influence with respect to the manner in which these key suppliers conduct their businesses. If these key suppliers were unable to honor, or otherwise fail to honor, their obligations to us, we could experience disruptions of our business and adverse effects on our revenues and results of operations.

We rely on favorable roaming arrangements, which we may be unable to continue to obtain.

We may not continue to be able to obtain or maintain roaming agreements with other wireless providers on terms that are acceptable to us. Our customers automatically can access another provider' s analog cellular or digital system only if the other provider allows our customers to roam on its network. We rely on agreements to provide roaming capability to our customers in many areas of the U.S. that our network does

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not serve. Some competitors, because of their call volumes or their affiliations with, or ownership of, wireless providers, however, may be able to obtain roaming rates that are lower than those rates obtained by us. In addition, the quality of service that a wireless provider delivers during a roaming call may be inferior to the quality of service we or an affiliated company provides, the price of a roaming call may not be competitive with prices of other wireless providers for such call, and our customers may not be able to use any of the advanced features, such as voicemail notification, that the customer enjoys when making calls within our network. Finally, we may not be able to obtain favorable roaming agreements for our third-generation products and services that we intend to offer using the technologies we plan to deploy for interim enhanced data and third-generation services.

Our business is seasonal and we depend on fourth quarter results, which may not continue to be strong.

The wireless industry, including us, has experienced a trend of generating a significantly higher number of customer additions and handset sales in the fourth quarter of each year as compared to the other three fiscal quarters. A number of factors contribute to this trend, including the increasing use of retail distribution, which is dependent upon the year-end holiday shopping season, the timing of new product and service announcements and introductions, competitive pricing pressures, and aggressive marketing and promotions. Strong fourth quarter results for customer additions and handset sales may not continue for the wireless industry or for us. In the future, the number of our customer additions and handset sales in the fourth quarter could decline for a variety of reasons, including our inability to match or beat pricing plans offered by competitors, failure to adequately promote our products, services and pricing plans, or failure to have an adequate supply or selection of handsets. If in any year fourth quarter results fail to significantly improve upon customer additions and handset sales from the year' s previous quarters, this could adversely impact our results for the following year.

Our plan to exit the fixed wireless business may have unforeseen negative impacts to our business.

On December 12, 2001, our board of directors approved a plan to exit our fixed wireless business. Our decision to exit our fixed wireless business resulted in a fourth quarter pre-tax charge of $1.3 billion, reflecting a write-down of the assets of the fixed wireless business and the impact of phased exit charges. The decision to exit a business involves special risks and uncertainties, some of which may not be foreseeable or within our control, such as unforeseen severance costs, contractual liabilities, disputes with customers, suppliers, vendors, terminated employees, or a buyer of the fixed wireless business or certain assets. Although we recently completed the sale of some of the assets of the fixed wireless division to Netro Corp., we may not be able to sell or otherwise monetize any part of the remaining assets of our fixed wireless business on attractive terms or at all. Unforeseen costs and uncertainties relating to our exit from the fixed wireless business could have a material adverse effect on our business, financial condition and results of operations.

Media reports have suggested radio frequency emissions may be linked to various health concerns and interfere with various medical devices, and we may be subject to potential litigation relating to these health concerns.

Media and other reports have linked radio frequency emissions from wireless handsets to various health concerns, including cancer, and to interference with various electronic medical devices, including hearing aids and pacemakers. Research and studies are ongoing. Whether or not such research or studies conclude there is a link between radio frequency emissions and health, these concerns over radio frequency emissions may discourage the use of wireless handsets or expose us to potential litigation, which could have a material adverse effect on our results of operations. Several class action lawsuits have been filed against us, several other wireless service providers and several wireless phone manufacturers, asserting products liability, breach of warranty and other claims relating to radio frequency transmissions to and from wireless phones. The complaints seek damages for personal injuries and the costs of headsets for wireless phone users as well as injunctive relief.

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Our operations are subject to government regulation that could have adverse effects on our business.

The licensing, construction, operation, sale, resale and interconnection arrangements of wireless communications systems are regulated to varying degrees by the FCC, and, depending on the jurisdiction, state and local regulatory agencies. These regulations may include, among other things, required service features and capabilities, such as number portability or emergency 911 service. In addition, the FCC, together with the U.S. FAA, regulates tower marking and lighting. Any of these agencies having jurisdiction over our business could adopt regulations or take other actions that could adversely affect our business. FCC licenses to provide wireless services or personal communications services are subject to renewal and revocation. There may be competition for our licenses upon their expiration and it is possible that the FCC will not renew them. FCC rules require all wireless and personal communications services licensees to meet specified build-out requirements. We may not be able to meet these requirements in each market. Failure to comply with these requirements in a given license area could result in revocation or forfeiture of our license for that license area or the imposition of fines on us by the FCC.

We may be subject to potential litigation relating to the use of wireless phones while driving.

Some studies have indicated that some aspects of using wireless phones while driving may impair drivers' attention in some circumstances, making accidents more likely. These concerns could lead to potential litigation relating to accidents, deaths or serious bodily injuries, or to new restrictions or regulations on wireless phone use, any of which also could have material adverse effects on our results of operations.

State and local legislation restricting or prohibiting wireless phone use while driving could cause subscriber usage to decline.

Some state and local legislative bodies have proposed legislation restricting or prohibiting the use of wireless phones while driving motor vehicles. Similar laws have been enacted in other countries. On June 28, 2001, New York State enacted a law prohibiting the use of handheld wireless phones while driving motor vehicles other than through the use of hands-free equipment. To date, a small number of communities in the U.S. have also passed restrictive local ordinances. These laws, or if passed, other laws prohibiting or restricting the use of wireless phones while driving, could have the effect of reducing subscriber usage, which could cause a material adverse effect on our results of operations.

We may be unable to make the changes necessary to operate as an independent entity and may incur greater costs.

We have been part of an integrated telecommunications provider since our acquisition by AT&T in 1994. Following the split-off from AT&T on July 9, 2001, however, AT&T has no obligation to provide financial, operational or organizational assistance to us other than limited services. We may not be able to implement successfully the changes necessary to operate independently. We may also incur additional costs relating to operating independently that would cause our cash flow and results of operations to decline materially. In addition, although we may be able to participate in some of AT&T's supplier arrangements where those arrangements permit or the vendors agree, our supplier arrangements may not be as favorable as has historically been the case. Agreements that we have entered into in connection with the split-off provide that our business will be conducted differently and that our relationship with AT&T will be different from what it has historically been prior to the split-off. These differences may have a detrimental effect on our results of operations or financial condition.

The historical financial information of AT&T Wireless Group may not be representative of our results as an independent entity and, therefore, may not be reliable as an indicator of our historical or future results.

The historical financial information of AT&T Wireless Group may not reflect what our results of operations, financial position and cash flows would have been had we been an independent entity during the periods prior to the split-off. This is because the financial information reflects allocations for services provided

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to AT&T Wireless Group by AT&T which allocations may not reflect the costs we incur for similar or incremental services as an independent entity.

We will generally be responsible for tax liability if the split-off is taxable.

Under the separation and distribution agreement between us and AT&T , subject to limited exceptions, we will be responsible for any tax liability and any related liability that results from the split-off failing to qualify as a tax-free transaction. If the split-off failed to qualify as a tax-free transaction, this liability would have a material adverse effect on us.

We may no longer receive tax sharing payments from AT&T since we ceased to be a member of the AT&T consolidated tax return group, and we may incur other tax liabilities as a result of the split-off and pre-split-off transactions.

As a result of the split-off, we ceased to be a member of the consolidated federal income tax return group of which AT&T is the common parent. Consequently, taxable income and losses, and our other tax attributes in post-split-off taxable periods can generally no longer offset taxable income or losses and other tax attributes of the AT&T consolidated tax return group. For two taxable years after the split-off, under U.S. federal income tax rules, we would generally be able to carry back any such tax losses, subject to limitations, against taxable income, if any, of members of AT&T Wireless Group for pre-split-off periods. Under our tax sharing agreement with AT&T, however, we generally may only carry back net operating losses (and not other tax attributes) from post-split-off taxable periods to pre-split-off taxable periods, and only if those losses are significant and with the consent of AT&T, which consent AT&T has agreed not to withhold unreasonably. To the extent we have tax losses in post-split-off taxable periods, we would generally no longer receive current tax sharing payments with respect to those losses. Instead, except where those losses can be carried back, we would benefit from those losses only if and when we generated sufficient taxable income in future years to utilize those tax losses on a stand-alone basis. In addition, there may be tax costs associated with the split-off that result from our ceasing to be a member of the AT&T consolidated tax return group, as well as from pre-split-off transactions. If incurred, these costs could be material to our results.

Various factors may interfere with our ability to engage in desirable strategic transactions and equity issuances.

We may be prevented from engaging in some desirable strategic transactions. The Internal Revenue Code restricts the ability of a company which has undergone a tax-free split-off from particular issuances of shares generally within a two-year period after the split-off. In addition, the separation and distribution agreement prohibits us, for a period of 30 months following the split-off, from entering into particular transactions that could render the split-off taxable. This may discourage, delay or prevent a merger, change of control, or other strategic or capital raising transactions involving our issuance of equity. Provisions of our amended and restated certificate of incorporation and by-laws, rights plan, applicable law and the DoCoMo agreements may also have the effect of discouraging, delaying or preventing change of control transactions that our shareholders find desirable.

We may lose rights under agreements with AT&T if a change of control occurs.

Some of the agreements that we have entered into with AT&T in connection with the split-off, including the brand license agreement, master carrier agreement and other commercial agreements, contain provisions that give one party rights in the event of a change of control of the other party. These provisions may deter a change of control. In the event of a change of control, the exercise of these rights could have a material adverse effect on us.

AT&T' s restructuring may adversely impact our competitive position.

In connection with AT&T' s restructuring, there is a risk that we and AT&T' s other separated business units may not be able to create effective intercompany agreements to facilitate effective cost sharing or to

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maintain or enter into arrangements for combining our respective services in customer offerings or other forms of bundling arrangements. Competition between us and the other AT&T units in overlapping markets could result in more downward price pressure. We expect that the different businesses and companies will share the AT&T brand after the restructuring, which will likely increase this level of competition. In addition, any incremental costs associated with implementing AT&T' s restructuring plan may materially adversely affect the different businesses and companies, including our business.

Factors Relating to Our Common Stock

Future sales of our stock could adversely affect our stock' s market price and our ability to raise capital in the future.

Sales of substantial amounts of our common stock could hurt the market price of our stock. This also could hurt our ability to raise capital in the future. The shares issued in the split-off are freely tradable without restriction under the Securities Act of 1933 by persons other than "affiliates", as defined under the Securities Act. Any sales of substantial amounts of our common stock in the public market, or the perception that those sales might occur, could materially adversely affect the market price of our stock.

We will not solicit the approval of our shareholders for the issuance of authorized but unissued shares of our stock unless this approval is deemed advisable by our board of directors or is required by applicable law, regulation or stock exchange listing requirements. The issuance of those shares could dilute the value of our shares.

We do not expect to pay dividends on our common stock.

Our board of directors will determine whether to pay dividends on our common stock primarily based upon our financial condition, results of our operations and our business requirements. We currently do not expect to pay any dividends on our common stock for the foreseeable future.

Item 2. ***Properties***

Our corporate headquarters consist of leased office space in six buildings in Redmond, Washington occupying approximately 582,000 combined square feet. We also have additional administrative office space in approximately 120 buildings throughout the U.S. and maintain 18 customer service centers. Our customer service centers are located in the following cities:

Anaheim, California

Austin, Texas

Bethlehem, Pennsylvania

Bothell, Washington

Greensboro, North Carolina

Harrisburg, Pennsylvania

Jackson, Mississippi

Livermore, California

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Memphis, Tennessee

Minneapolis, Minnesota

Oklahoma City, Oklahoma

Orlando, Florida

Paramus, New Jersey

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Plano, Texas

Portland, Oregon

Sacramento, California

San Francisco, California

Santa Rosa, California

We lease all of our office space, with the exception of three buildings in Alaska, Hawaii and Florida, which we own. Our total national office space, including our corporate headquarters, administrative office space and customer service centers, totals approximately 4,913,000 square feet.

We also operated 837 company stores as of December 31, 2001, four of which are in facilities in Hawaii and Florida that we own and the remainder of which are in leased facilities. Moreover, we operate 219 kiosks that are located in shopping malls or within another retail store.

We own, or control through leases or licenses, numerous properties consisting of cell and switching equipment sites, and other plant and equipment used to provide wireless communications services. These leases generally have a term of five years with four options to renew for another five years. These properties are located throughout the U.S. These properties include land, interior and rooftop space, and space on existing structures of various types used to support equipment used to provide wireless communications services. Most of the leased properties are owned by private entities and the balance is owned by municipal entities.

Plant and equipment used to provide wireless services consist of:

switching, transmission and receiving equipment,

connecting lines (cables, wires, poles and other support structures, conduits, etc.),

land and buildings,

easements, and

other miscellaneous properties (work equipment, furniture and plants under construction).

The majority of the lines connecting our services to other telecommunications services and power sources are on or under public roads, highways and streets. The remainder are on or under private property.

As of December 31, 2001, our estimated commitments associated with these leases were approximately $2.3 billion.

Item 3. ***Legal Proceedings***

Several lawsuits have been filed asserting claims that we collected charges for local government taxes from customers that were not properly subject to those charges. Agreements have been reached to settle others of these cases, although the agreements have not yet received court approval. We have entered into a settlement of one of these cases, although the settlement has been challenged on appeal.

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Several class action lawsuits have been filed in which claims have been asserted that we did not have sufficient network capacity to support the influx of new subscribers who signed up for AT&T Digital One Rate service beginning in May 1998 and therefore have failed to provide service of a quality allegedly promised to subscribers. The plaintiffs in these cases have not asserted specific claims for damages, with the exception of one case filed in Texas in which the named plaintiffs have asserted claims for compensatory and punitive damages totaling $100 million. That case was dismissed, although an appeal is pending and another case in Texas remains pending. An agreement has been reached to settle certain of these cases, although the agreement has not received court approval.

Several other class action or representative lawsuits have been filed against us that allege, depending on the case, breach of contract, misrepresentation or unfair practice claims relating to

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our billing practices (including rounding up of partial minutes of use to full minute increments and billing send to end), coverage, dropped calls, price fixing and/ or mistaken bills. Although the plaintiffs in these cases have not specified alleged damages, the damages in two of the cases are alleged to exceed $100 million. One of these two cases was dismissed and the dismissal was affirmed in part on appeal. Settlement negotiations are ongoing in both cases.

Several class actions have been filed against AT&T and several wireless phone manufacturers and carriers, asserting products liability, breach of warranty and other claims relating to radio frequency transmissions to and from wireless phones. The complaints seek damages for the costs of headsets for wireless phone users as well as injunctive relief. In connection with the split-off, we were allocated all of the liability, if any, arising from these lawsuits.

We were involved in an international arbitration proceeding concerning interests in a Malaysian telecommunications joint venture, Maxis Communications Bhd, a former MediaOne business acquired by AT&T and sold to us in the fourth quarter of 2000. In this arbitration proceeding, a group of Malaysian shareholders claim that MediaOne breached fiduciary duties and contractual obligations owed to the joint venture. The arbitration claim asserted damages of $400 million. In connection with the split-off, we assumed a portion of the liabilities, if any, related to this action, subject to certain adjustments. In March 2001, we entered into an agreement with other shareholders of Maxis Communications Bhd who were the claimants in this arbitration, for the sale of our entire interest in that entity and the resolution of the claims asserted in the arbitration proceeding. At that time, the parties agreed to suspend the arbitration proceeding pending closing of this transaction, and expected to terminate the arbitration proceeding when the sale has been completed. During November 2001, the sale was completed and the lawsuit associated with the Maxis investment was settled.

Stockholders of a former competitor of our air-to-ground business are plaintiffs in a lawsuit filed in 1993 in the Eighteenth Judicial Circuit Court, DuPage County, Illinois, alleging that we breached a confidentiality agreement, used trade secrets to unfairly compete, and tortiously interfered with the business and potential business of the competitor. Plaintiffs sought damages in an unspecified amount in excess of $3.5 billion. We obtained partial summary judgment and then prevailed on the remainder of the claims at a trial on the validity of a release of plaintiffs' claims. Final judgment was entered against plaintiffs on their claims, and plaintiffs appealed. On appeal, the Appellate Court of Illinois, Second District, reversed and remanded the case for trial indicating that certain issues decided by the judge needed to be resolved by a jury.

Several lawsuits have been filed in state and federal court in New York and New Jersey against AT&T, certain executives of AT&T and us and a group of investment banking firms, seeking class certification and asserting claims under federal securities laws. The complaints assert claims that AT&T made material misstatements concerning earnings and financial condition, while omitting other material information, allegedly to maximize proceeds from the offering of AT&T Wireless Group tracking stock in April 2000 and/or to avoid paying a cash guarantee in connection with the MediaOne acquisition. The complaints do not specify amounts of damages claimed, although the plaintiffs are seeking to recover for declines in stock prices of AT&T securities, including the AT&T Wireless Group tracking stock. In connection with the split-off, we will be allocated a portion of the liabilities, if any, arising out of these actions to the extent relating to AT&T Wireless Group tracking stock.

A lawsuit has been filed challenging our involvement with Alaska Native Wireless LLC in connection with the auction of PCS spectrum licenses in FCC Auction 35. The complaint alleges claims of unfair business practices and interference with economic advantage, and alleges that Alaska Native Wireless is controlled by us and therefore did not properly qualify as a designated entity under FCC requirements for bidding in the auction. The complaint does not seek to invalidate any licenses granted to Alaska Native Wireless in the auction, but seeks remedies of disgorgement and restitution of at least $380 million and punitive damages of $677 million.

Several class action lawsuits have been filed by shareholders of TeleCorp, challenging our acquisition of TeleCorp. The lawsuits allege that the consideration paid to TeleCorp shareholders was inadequate and allege conflicts of interest and breach of fiduciary duties by the

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directors of TeleCorp. Damages have not been specified, although the complaints seek injunctive relief to rescind the transaction.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of our shareholders during the fourth quarter of the fiscal year ended December 31, 2001.

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PART II

Item 5. *Market for Company's Common Stock and Related Stockholder Matters*

Our common stock is traded on the New York Stock Exchange (symbol "AWE"). As a result of the split-off, on July 9, 2001 each share of AT&T Wireless Group tracking stock was converted into one share of our common stock and each holder of AT&T common stock received .3218 of a share of our common stock for each share of AT&T common stock held by that holder.

The number of shareholders of record of our common stock at March 18, 2002, was 1,322,947.

The table below shows the range of reported per share sales prices on the New York Stock Exchange for the AT&T Wireless Group tracking stock (April 27, 2000, through July 9, 2001) and our common stock (commencing July 9, 2001) for the periods indicated, beginning with the initial offering of AT&T Wireless Group tracking stock in April 2000.

Year	Stock Price	
	High	Low
Fiscal 2001 (ended December 31, 2001)		
First Quarter	$ 27.30	$ 17.06
Second Quarter	21.10	15.29
Third Quarter	19.92	12.27
Fourth Quarter	16.22	12.51
Fiscal 2000 (ended December 31, 2000)		
Second Quarter (beginning April 27, 2000)	$ 36.00	$ 23.56
Third Quarter	29.56	20.50
Fourth Quarter	24.94	16.38

We have never declared or paid any cash dividends on our common stock. We currently anticipate that we will retain all future earnings for use in the expansion and operations of our business and do not anticipate paying cash dividends in the foreseeable future.

Item 6. *Selected Financial Data*

The following selected financial data should be read in conjunction with the consolidated financial statements and the notes thereto contained herein in "Item 8. Financial Statements and Supplementary Data" and the information contained herein in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Historical results are not necessarily indicative of future results.

In the table below you are provided with selected historical consolidated financial data of AT&T Wireless Services, Inc. and subsidiaries. For periods prior to AT&T Wireless Services' split-off from AT&T on July 9, 2001, this selected historical financial data reflects the results of operations and balance sheet data for the AT&T Wireless Group of AT&T. In the split-off, AT&T contributed to AT&T Wireless Services all of the businesses and assets, and AT&T Wireless Services assumed all of the liabilities, that constituted the AT&T Wireless Group. These contributions have been accounted for in a manner similar to a pooling of interests and AT&T Wireless Services has assumed these transfers were completed in historical periods by the legal entity AT&T Wireless Services.

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The following financial information was derived using the consolidated financial statements of AT&T Wireless Services at and for each of the fiscal years in the five-year period ended December 31, 2001. The consolidated statement of operations and cash flow data below for each of the years in the three-year period ended December 31, 2001 and the consolidated balance sheet data at December 31, 2001 and 2000, were derived from audited consolidated financial statements, which are included in this document. The consolidated statement of operations and cash flow data below for the years ended December 31, 1998 and 1997 and the consolidated balance sheet data at December 31, 1999, 1998 and 1997, as well as the "Other Financial Data"

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for all periods, were derived from unaudited consolidated financial statements. Data presented under the heading "Other Operating Data" is not derived from audited or unaudited historical consolidated financial statements and has been presented to provide additional information.

The financial data presented below is not necessarily comparable from period to period as a result of several transactions, including acquisitions and dispositions of consolidated subsidiaries. In addition, in December 2001, AT&T Wireless Services finalized plans and received approval from its board of directors to exit the fixed wireless business. This decision resulted in a pre-tax charge during the fourth quarter of $1.3 billion, reflecting a write-down of the assets and the impact of phased exit charges. In accordance with Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations − Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", the consolidated financial statements of AT&T Wireless Services have been restated to reflect the fixed wireless business as discontinued operations for all periods presented. For this and other reasons, you should read the selected historical financial data provided below in conjunction with AT&T Wireless Services' consolidated financial statements and accompanying notes, which are included in this document.

	For the Years Ended December 31,				
	2001	2000	1999	1998	1997
	(In millions, except for per share amounts and other operating data) (Unaudited)				
STATEMENT OF OPERATIONS DATA(1):					
Revenue	$ 13,610	$ 10,446	$ 7,627	$ 5,406	$ 4,668
Operating income (loss)	598	237	(569)	(279)	23
Income (loss) from continuing operations	200	828	(345)	203	187
Loss from discontinued operations	(1,087)	(170)	(60)	(39)	(62)
Dividends on preferred stock held by AT&T	76	130	56	56	56
Net (loss) income available to common shareholders	(963)	528	(461)	108	69
Income (loss) from continuing operations available to common shareholders per share − basic and diluted	$ 0.05	$ 0.28	$ (0.16)	$ 0.06	$ 0.05
Loss from discontinued operations per share − basic and diluted	$ (0.43)	$ (0.07)	$ (0.02)	$ (0.02)	$ (0.02)
Net (loss) income available to common shareholders per share − basic and diluted	$ (0.38)	$ 0.21	$ (0.18)	$ 0.04	$ 0.03
Weighted average shares − basic	2,530	2,530	2,530	2,530	2,530
Weighted average shares − diluted	2,532	2,532	2,530	2,532	2,532
Cash dividends declared per share	–	–	–	–	–
BALANCE SHEET DATA(1):					
Assets of continuing operations	$ 41,634	$ 34,313	$ 23,111	$ 19,193	$ 18,788
Assets of discontinued operations	88	989	401	267	252
Total assets	41,722	35,302	23,512	19,460	19,040
Total debt(2)	6,705	2,551	3,558	2,589	2,447
Preferred stock held by AT&T	–	3,000	1,000	1,000	1,000
Mandatorily redeemable common stock	7,664	–	–	–	–
Total shareholders' equity	19,281	21,877	12,997	10,532	10,187
CASH FLOW DATA(1):					
Net cash provided by operating activities of continuing operations	$ 2,734	$ 1,786	$ 913	$ 440	$ 1,392
Capital expenditures and other additions	(5,205)	(3,601)	(2,135)	(1,169)	(1,859)
Net acquisitions of licenses	(23)	(63)	(47)	(65)	(443)
Distributions and sales of unconsolidated subsidiaries	882	360	236	1,354	294

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Contributions, advances and purchases of unconsolidated subsidiaries	(1,284)	(1,645)	(284)	(156)	(84)
Net (acquisitions) dispositions of businesses including cash acquired	(3)	(4,763)	244	324	–

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	For the Years Ended December 31,				
	2001	2000	1999	1998	1997
	(In millions, except for per share amounts and other operating data) (Unaudited)				
Net (decrease) increase in debt due to AT&T	(2,438)	1,038	900	100	200
Proceeds from issuance of long-term debt due to others, net of issuance costs	6,345	–	–	–	–
Proceeds attributed from DoCoMo investment, net of costs	6,139	–	–	–	–
Redemption of preferred stock held by AT&T	(3,000)	–	–	–	–
Proceeds attributed from AT&T Wireless Group tracking stock offering	–	7,000	–	–	–
Transfer from (to) AT&T	–	1,001	344	(694)	611
Net cash used in discontinued operations	(568)	(749)	(183)	(76)	(126)
OTHER FINANCIAL DATA:					
EBITDA from continuing operations(3)	$ 3,100	$ 1,876	$ 662	$ 785	$ 838
EBITDA from continuing operations (excluding asset impairment and restructuring charges)	3,100	1,876	1,190	905	998
OTHER OPERATING DATA:					
(In thousands, except $ and % are actual)					
Consolidated subscribers	18,047	15,163	9,569	7,174	5,964
Covered population(4)	167,682	162,896	114,217	–	–
Licensed population(4)	216,589	214,188	191,742	–	–
Subscriber churn	2.9 %	2.9 %	2.6 %	2.7 %	2.5 %
Total cost per gross subscriber addition	$ 334	$ 367	$ 367	$ 392	$ 432

(1) All periods reflect the fixed wireless business as discontinued operations.

(2) Includes $4 million of long-term debt that is included in other long-term liabilities at December 31, 2000 and 1999.

(3) EBITDA is defined as operating income excluding depreciation and amortization. We believe EBITDA, as well as EBITDA excluding our non-cash asset impairment and restructuring charges, to be relevant and useful information as these are the primary metrics used by our management to measure the performance of our business. EBITDA should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America, including our cash flows from operating, investing and financing activities. EBITDA, as we have defined it, may not be comparable to similarly titled measures reported by other companies.

(4) Population, or POPs, represents AT&T Wireless Services' consolidated operations and does not include affiliate markets. POPs are counted once whether a POP is covered/licensed only by wireless licenses at the 850 megahertz frequency or by wireless licenses at the 1900 megahertz frequency or by both. The amount of wireless spectrum licensed varies by geographic territory.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Introduction

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We are one of the largest wireless communications service providers in the United States. We seek to expand our customer base and revenue stream by providing high-quality, innovative wireless services. As of December 31, 2001, we had over 18.0 million consolidated subscribers. For the year ended December 31, 2001, we had $13.6 billion of total consolidated revenues.

Over the past two years, we have created a new company. The initial step was AT&T' s creation of AT&T Wireless Group tracking stock in 2000. We took the next step, over the past year, with the establishment of

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AT&T Wireless Services as an independent, publicly traded company. When we separated from AT&T on July 9, 2001, we became the largest independent, unaffiliated wireless carrier in North America.

Strategic Focus. In addition to becoming independent from AT&T, we have spent the past two years shaping our strategy and positioning our company to execute on that strategy. We have a single-minded strategic focus: "Mobile Voice and Data in the Major Markets of North America." We view our business as a mobility business, providing wireless voice and data applications wherever and whenever in our North American target market.

During the past two years, and especially in 2001, we made significant strides in executing our strategy and continuing a history of delivering on our operational commitments. In particular, we have made progress on the following aspects of our strategy:

Expanding our "footprint"

Maintaining a strong spectrum position

Enhancing our next-generation network and technology

Deciding to exit the fixed wireless business

Expanding Our Footprint. A key component of our strategic execution has been the strengthening, in a cost-effective manner, of the service territory that we refer to as our "footprint." We began 2000 with only 114 million consolidated covered POPs (or population), just under 40% of the country. Today we stand at nearly 200 million, including the POPs associated with our recently completed acquisition of TeleCorp PCS, Inc. Including the POPs of our affiliates, we had over 220 million covered POPs as of year-end 2001. We achieved this growth through a combination of building out over two dozen markets as well as through acquisitions and affiliations. Our long-term objective is to have virtually 100% national coverage. We plan to accomplish this through consolidated systems, affiliations and joint ventures.

Spectrum Position. Another important element of our strategic focus is the maintenance of a strong spectrum position. We operate one of the largest U.S. digital wireless networks. As of December 31, 2001, we and our affiliates held 850 megahertz and 1900 megahertz licenses to provide wireless services covering 99% of the U.S. population. As of that date, we and our affiliates covered approximately 88% of the U.S. population with at least 30 megahertz of wireless spectrum. At the same date, our networks and those of our affiliates operated in markets including over 78% of the U.S. population and in all 50 of the largest U.S. metropolitan areas. We supplement our operations with roaming agreements that allow our subscribers to use other providers' wireless services in regions where we do not have operations. With these roaming agreements, we are able to offer customers wireless services covering over 95% of the U.S. population. The depth of our portfolio will allow us to build our interim enhanced data network (2.5G) coverage in nearly 100% of the nation' s population, and provides enough additional spectrum for a broad third-generation network (3G) footprint in over 70 of the top 100 U.S. markets. We have committed to provide an aggregate of $2.6 billion to Alaska Native Wireless (ANW) to finance the acquisition of licenses for which ANW was the highest bidder in the recent auction of PCS licenses that included spectrum originally licensed to NextWave Telecom, Inc. A number of the licenses in that auction were in top 100 U.S. markets. To the extent ANW is not awarded these licenses, we could use these funds for other purposes, including acquisition of spectrum.

Next-Generation Technology. We are developing a next-generation network to accelerate the availability of enhanced data services offerings. We announced plans during the fourth quarter of 2000 to adopt a 2.5G technology known as GSM/ GPRS (global system for mobile communications/general packet radio service) and a mainstream 3G technology migration path to UMTS (universal mobile telecommunications system). As part of the technology mainstream, UMTS is the same global standard that has been selected by operators throughout Europe, Japan and other parts of the world. Although no technology path has been developed on an industry-wide basis, we believe this technology path will provide higher performance, lower network and handset costs, and greater industry-wide R&D investment. In addition, during the fourth quarter of 2000, we entered into a strategic alliance with NTT DoCoMo, Inc., a leading Japanese wireless communications company, to develop mobile multimedia services on a global-standard, high-speed wireless network. During

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2001, we built out GSM/ GPRS markets representing approximately 45% of our covered POPs, with the remaining build-out to be completed in 2002. We expect to make significant additional capital expenditures in 2002 as we complete our GSM/ GPRS build-out. Our build-out schedule, as well as our commercial launch of GSM/ GPRS markets, requires the availability of both network infrastructure, as well as handsets from various vendors. We plan to begin loading new customers, as well as migrate existing customers to GSM/ GPRS service, in 2002 and accelerate thereafter.

Strategic Refocus − Decision to Exit Fixed Wireless Business. Having focused our strategy on mobility in North America, we have made some important decisions during 2001 that will be reshaping our business, as well as continuing our commitment to profitability. We announced our decision to exit the fixed wireless business and began implementing that exit during the fourth quarter of 2001. Earlier in 2001, we began monetizing overseas minority investments in Japan and Malaysia, aligning our international investments with our North America strategy. We have been reinvesting the proceeds in North America, with additional investments in Rogers Wireless Communications, Inc. in Canada as well as in the Caribbean.

Highlights of Operational Results and Growth Opportunities. Over the past two years, we have grown our subscriber base by almost 8.5 million, through new subscriber additions and through acquisitions that occurred during 2000. In 2001, consolidated subscribers grew by 19% to end the year at over 18.0 million. We expect a slower rate of subscriber growth during 2002, reflecting the economic slowdown, higher penetration levels and increasing competition in our markets. Despite the slower rate of growth for 2002, we believe that there are significant long-term growth areas for the wireless industry and we are favorably positioned to seize these opportunities. We, along with the entire industry, have experienced an astounding growth in minutes of use in recent years. Some of this increase has been derived from new subscribers, while another significant part of this increase has been derived from additional usage within the existing subscriber base. We believe there is a significant opportunity to capitalize on wireline-to-wireless migration, especially given that the wireless industry currently carries only an estimated 12% of all minutes in the U.S. We also intend to increase wireless penetration levels as we address untapped market segments.

Services Revenue and ARPU. In 2001, we grew services revenue by 33.7% to a record $12.5 billion. This resulted in average revenue per user (ARPU) of $62.60 for 2001, a decrease of 8.2% compared to 2000. We expect traditional service revenue per customer to decline as competitive pricing trends lower, as well as a result of moving into new market segments. This trend should be partially offset with increased minutes of use per subscriber, additional focus on under-penetrated high-revenue market segments, and as new service features, such as wireless data transport and applications, take hold.

Churn and Customer Retention. Another critical element of our strategic focus is customer retention. Our average monthly subscriber churn rate was 2.9% in 2001. Although this was comparable to the prior year, our churn rate for the fourth quarter of 2001 was 2.7%. Numerous company-wide initiatives, including customer retention programs and network quality improvement, contributed to these results, despite operating within a highly competitive and economically challenged environment. Although the fourth quarter churn rate of 2.7% may not be sustainable, especially in the short term, controlling churn will remain an important operational priority. We expect churn in the industry to be somewhat volatile.

EBITDA and EBITDA Margin. Focused cost control, in combination with the top line subscriber and revenue growth, enabled us to achieve record 2001 EBITDA. EBITDA, defined as operating income excluding depreciation and amortization, is a primary metric used by our operating decision-makers to measure our ability to generate cash flow. EBITDA for 2001 was $3,100 million, a growth of 65.3% compared to 2000. EBITDA margin, defined as EBITDA as a percentage of services revenue, was 24.7% in 2001, compared to 20.0% in 2000. This earnings growth and margin improvement is a direct result of a series of management initiatives. Incollect expenses, or costs incurred for our subscribers to roam on other carrier networks, were reduced in absolute dollars in 2001 through a combination of on-network footprint expansion, targeted service offers and roaming rate reductions. Tighter expense control in anticipation of a weakening economy kept headcount essentially flat in 2001 and led to a reduction in discretionary spending. Additionally, numerous initiatives in sales and marketing drove year-over-year costs per gross subscriber addition (CPGA) down by 9% in 2001 versus 2000. In order to continue this improvement in EBITDA and EBITDA

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margin, we will need to continue to grow our subscriber base and revenue stream and continue to generate operating cost efficiencies. Network cost per minute is projected to decline due to our expanding footprint leading to more on-net minutes, lower roaming rates and the cost efficiencies of our technology path. We also project that costs to add customers will decrease as a result of distribution mix, handset scale economies and segment marketing.

Capital Expenditures. Capital spending was $5 billion in 2001, in line with our targeted projection. We expect to spend at about the same level in 2002. The composition of the spending is anticipated to shift, from roughly 20% associated with 2.5G in 2001 to approximately two-thirds expected to be associated with 2.5G in 2002. We believe that 2001 and 2002 will be the high-water marks for our capital spending. Starting in 2003, we expect capital spending, while still significant, to decline and be driven by demand.

Background

On October 25, 2000, AT&T Corp. (AT&T) announced a restructuring plan, stating its intention to create a separate company for its wireless services businesses, named AT&T Wireless Services, Inc., termed "the split-off." AT&T Wireless Services includes substantially the same assets and liabilities that were represented by AT&T Wireless Group tracking stock, which AT&T created on April 27, 2000. In conjunction with the offering of AT&T Wireless Group tracking stock in April 2000, 15.6%, or 360 million shares, of AT&T Wireless Group tracking stock were sold at an offering price of $29.50 per share. AT&T Wireless Group tracking stock was a class of AT&T common stock which was intended to provide holders with financial returns based on the financial performance and economic value of AT&T' s wireless services businesses.

During May 2001, AT&T completed an exchange offer which allowed AT&T common shareholders to exchange shares of AT&T common stock for shares of AT&T Wireless Group tracking stock. Approximately 372.2 million shares of AT&T common stock were tendered in exchange for approximately 437.7 million shares of AT&T Wireless Group tracking stock, at an exchange ratio of 1.176 shares of AT&T Wireless Group tracking stock for each validly tendered share of AT&T common stock.

On July 9, 2001, AT&T converted all shares of AT&T Wireless Group tracking stock into shares of AT&T Wireless Services common stock on a one-for-one basis. In addition, AT&T completed a distribution of approximately 1.136 billion shares of AT&T Wireless Services common stock to AT&T shareholders in the form of a stock dividend. These transactions effected the split-off of AT&T Wireless Services from AT&T, and resulted in AT&T Wireless Services becoming an independent, publicly traded company.

Exit of Fixed Wireless Business

In December 2001, we finalized plans and received approval from our board of directors to exit the fixed wireless business. This decision resulted in a pre-tax charge during the fourth quarter of $1.3 billion, reflecting a write-down of the assets and the impact of phased exit charges. We anticipate that disposal of the fixed wireless business will be completed by mid-2002. We will continue to evaluate our phase-out plan throughout this period. On February 12, 2002, we completed the sale of certain fixed wireless assets to Netro Corporation (Netro), a company that is engaged in a business substantially different from our fixed wireless business. For $16 million in cash and 8.2 million shares of Netro common stock, Netro acquired a license to intellectual property, equipment and proprietary software assets. As a result of the transaction, we now own approximately 13.5% of Netro' s outstanding common stock.

In accordance with Accounting Principles Board (APB) Opinion No. 30, "Reporting the Results of Operations − Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," the consolidated financial statements of AT&T Wireless Services have been restated to reflect the fixed wireless business as discontinued operations. Accordingly, the revenue, costs and expenses, assets and cash flows of the fixed wireless business have been excluded from the respective

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captions in the Consolidated Statements of Operations, Consolidated Balance Sheets and Consolidated Statements of Cash Flows and have been reported as "Loss from discontinued operations," net of

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applicable taxes; as "Assets of discontinued operations"; and as "Net cash used in discontinued operations" for all periods presented.

Revenue for discontinued operations was $19 million, $2 million and $0 for 2001, 2000 and 1999, respectively. Loss from discontinued operations per basic and diluted share was ($0.43), ($0.07), and ($0.02) for 2001, 2000 and 1999, respectively. Assets of discontinued operations were $88 million and $989 million as of December 31, 2001 and 2000, respectively.

DoCoMo Investment

In January 2001, NTT DoCoMo, Inc. (DoCoMo) invested $9.8 billion in a security of AT&T that, like AT&T Wireless Group tracking stock, was intended to reflect a portion of the financial performance and economic value of AT&T Wireless Group. We were allocated $6.2 billion of the gross proceeds from AT&T. Additionally, we were allocated $20 million of costs associated with the transaction. AT&T retained the remaining $3.6 billion of the DoCoMo investment proceeds as consideration for the reduction in AT&T's retained portion of our value. In conjunction with the split-off, DoCoMo's investment was converted into 406 million shares, or approximately 16%, of AT&T Wireless Services' common stock. As part of this investment, we entered into a strategic alliance with DoCoMo to develop mobile multimedia services on a global-standard, high-speed wireless network. DoCoMo may require the repurchase of its investment at DoCoMo's original purchase price, plus interest, if we fail to meet specified technological milestones, under certain circumstances.

TeleCorp PCS, Inc. Acquisition

On October 8, 2001, we announced that we had entered into an agreement to acquire TeleCorp PCS, Inc. (TeleCorp) in an all-stock transaction then valued at approximately $4.7 billion. We agreed to acquire the remaining 77% of TeleCorp that we did not already own for AT&T Wireless Services common stock then valued at approximately $2.4 billion and the assumption of $2.1 billion in net debt and approximately $221 million in preferred securities. We closed the merger transaction with TeleCorp on February 15, 2002. This transaction resulted in our adding consolidated markets covering a population base of approximately 30 million in 14 states.

Other Strategic Acquisitions

On December 29, 2000, we completed the acquisition of a wireless system in Houston, which covered a population base of approximately 5 million potential customers and served approximately 180 thousand subscribers as of the acquisition date. Also on December 29, 2000, our equity interest in AB Cellular, an entity that owned cellular properties in Los Angeles, Houston and Galveston, Texas, was redeemed. In consideration for our equity interest, we received 100% of the net assets of the Los Angeles property. The Los Angeles property covered a population base of approximately 15 million potential customers and served approximately 1.3 million subscribers as of December 31, 2000. On November 14, 2000, we completed a transaction with our affiliate TeleCorp that resulted in our acquisition of wireless systems in several New England markets. On October 2, 2000, we completed the acquisition of a wireless system in Indianapolis. Combined, the New England and Indianapolis markets covered a population base of approximately 4 million potential customers, and served approximately 145 thousand subscribers as of their acquisition dates.

On September 29, 2000, we completed the acquisition of a wireless system in San Diego, which covered a population base of 3 million potential customers. Also, during the third quarter of 2000, we completed the acquisition of a wireless system on the Big Island of Hawaii. Combined, these two markets served more than 180 thousand subscribers as of their acquisition dates.

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In June 2000, we completed the acquisition of the remaining 50% partnership interest we previously did not own in CMT Partners (Bay Area Properties). The Bay Area Properties covered a population base exceeding 7 million potential customers and, as of the acquisition date, served nearly 1 million subscribers. Also in June 2000, we completed the acquisition of Wireless One Network, L.P. (Wireless One). Wireless

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One owned and operated wireless systems in Northwest and Southwest Florida covering a population base of 1.6 million potential customers and served approximately 190 thousand subscribers as of its acquisition date.

In February 2000, AT&T and Dobson Communications Corporation, through a joint venture, acquired American Cellular Corporation. AT&T contributed its interest in the joint venture to us as of the date of the acquisition. This acquisition increased our coverage in New York State and several Midwest markets by adding approximately 450 thousand subscribers as of the acquisition date.

The following discussion describes the financial condition and results of operations of AT&T Wireless Services. This discussion includes the effect of certain other subsidiaries, assets and liabilities of AT&T that constituted AT&T Wireless Group. AT&T has contributed to us all of the subsidiaries, assets and liabilities that constituted AT&T Wireless Group. Consistent with our historical financial statements, we have treated these contributions and related transactions in a manner similar to a pooling of interests and we have assumed these contributions and related transactions were completed in historical periods by the legal entity AT&T Wireless Services.

Consolidated Results of Operations

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of our consolidated results of operations for the years ended December 31, 2001, 2000 and 1999 and financial condition as of December 31, 2001 and 2000. The comparison of the 2001 results with 2000, as well as the comparison of the 2000 results with 1999, were affected by the acquisitions that occurred during 2000 as discussed above. The results of the fixed wireless business are discussed within "Loss per share from discontinued operations." As a result of our discontinuation of the fixed wireless business, we operate in a single business segment.

Critical Accounting Policies and Estimates

The following discussion and analysis is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses, and assets and liabilities, during the periods reported. Estimates are used when accounting for certain items such as unbilled revenues, allowance for doubtful accounts, sales and marketing programs and incentives, employee compensation programs, depreciation and amortization periods, taxes, inventory values, and valuations of investments and intangible assets. Additionally, during the fourth quarter of 2001, we recorded estimated losses associated with the discontinuation of our fixed wireless business. We base our estimates on historical experience, where applicable, and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions.

We believe that the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. We recognize services revenue based upon minutes of use processed and contracted fees, net of credits and adjustments for service discounts. As a result of our billing cycle cut-off times, we are required to make estimates for services revenue earned but not yet billed at the end of each quarter. These estimates are based primarily upon historical minutes of use processed. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We base our estimates on the aging of our accounts receivable balances and our historical write-off experience, net of recoveries. If the financial condition of our customers were to deteriorate, additional allowances may be required. We record accruals associated with sales and marketing promotions and incentives, primarily related to cash rebates offered. These accruals are based primarily on historical take-rates of similar promotions or offers. When recording our depreciation expense associated with our wireless communications equipment, we use estimated useful lives. As a result of changes in our technology and industry conditions, we periodically evaluate the useful lives of our wireless communications equipment. These evaluations could result in a change in our useful lives in future periods. We hold non-controlling investments in several entities for which we apply the equity or cost method of accounting. We

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record impairments associated with these investments when we determine that the market value of the decline below our net book value is deemed to be other than temporary. Volatility in market prices of these investments, or poor operating performance of these entities, could result in future values of these investments declining below our carrying value.

Year Ended December 31, 2001, Compared with the Year Ended December 31, 2000

Revenue

Total revenue primarily includes revenue associated with wireless voice and data services and the sale of handsets and accessories to both customers and distributors. Services revenue primarily includes monthly recurring charges, airtime and toll usage charges, and roaming charges billed to both our customers and other wireless service providers. Services revenue is recognized based upon minutes of use processed and contracted fees, net of credits and adjustments for service discounts. Amounts collected for services billed in advance of the service period are recorded as unearned revenue and are recognized when earned. Customer activation fees, along with the related costs up to but not exceeding these fees, are deferred and amortized over the estimated customer relationship period. Revenue from data services has not been material in any of the periods presented, nor do we anticipate that revenue from data services will be material to our overall services revenue during 2002. We expect that revenues from wireless data services will increasingly contribute to our services revenue as a result of the increasing availability of GSM/ GPRS across our network and the introduction of new data applications. The revenue and related expenses associated with the sale of wireless handsets and accessories are recognized when the products are delivered and accepted by the customer or distributor, as this is considered to be a separate earnings process from the sale of wireless services.

Total revenue increased 30.3% to $13,610 million for the year ended December 31, 2001, compared with the prior year. Total revenue increased 16.1% for the year ended December 31, 2001, compared with 2000, when adjusted to exclude the impact of the Bay Area Properties from January to June 2001 due to its acquisition in June 2000, and the Los Angeles market for 2001, which we began consolidating effective December 29, 2000.

Services revenue for the year ended December 31, 2001, was $12,532 million, an increase of $3,158 million, or 33.7%, compared with 2000. Services revenue increased 19.1% for the year ended December 31, 2001, compared with 2000, when adjusted to exclude the impact of the Bay Area Properties from January to June 2001 due to its acquisition in June 2000, and the Los Angeles market for 2001, which we began consolidating effective December 29, 2000. The services revenue growth was affected by the results of acquisitions that closed during 2000, as well as by growth associated with net subscriber additions during 2001. This growth was partially offset by a decline in ARPU. We expect the rate of growth in our reported services revenue to decline during 2002 due to the impact on the prior year' s growth associated with acquisitions, as well as a result of the anticipated decline in ARPU. These declines in growth rates will be partially offset by the growth associated with the increase in our subscriber base.

As of December 31, 2001, we had over 18.0 million consolidated subscribers, an increase of 19.0% compared with the prior year, of which over 94% were digital subscribers, up from over 90% as of December 31, 2000. Net consolidated wireless subscriber additions in the year ended December 31, 2001, totaled 2,928 thousand, a 14.1% increase over the prior year, including 927 thousand during the fourth quarter. Our average monthly churn rate for the year ended December 31, 2001, was 2.9%, comparable to our churn rate for the year ended December 31, 2000. Although churn remained flat for the year, churn for the fourth quarter of 2001 declined to 2.7%, down from 3.1% during the third quarter of 2001. The churn rate related to our postpaid customers for the year ended December 31, 2001, declined to 2.6%, down from 2.7% in the prior year. Prepaid subscribers as of December 31, 2001, remained a mid-single digit percentage of the total consolidated subscriber base, similar to the prior year-end. Total subscribers, including affiliate markets in which we do not own a controlling interest, were nearly 20.8 million at the end of 2001, a 22.0% increase over the prior year.

Our ARPU for the year ended December 31, 2001, was $62.60, a decrease of 8.2% compared with 2000. Our ARPU decreased as a result of competitive pricing pressures and market segmentation efforts. Despite

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the decline in ARPU, average minutes of use per subscriber increased for the year ended December 31, 2001, compared with the prior year. We expect ARPU for the year ended December 31, 2002, to decline from the 2001 level as competitive pricing trends lower, as well as a result of moving into new market segments. This trend should be partially offset with increased minutes of use per subscriber, additional focus on under-penetrated high-revenue market segments, and as new service features, such as wireless data transport and applications, take hold.

Equipment revenue for the year ended December 31, 2001, was $1,078 million, an increase of $6 million, or 0.6%, compared with 2000. Equipment revenue for the year ended December 31, 2001, compared with the prior year, was affected by a decline in the average revenue per item sold to subscribers and distributors, offset by an increase in quantities of equipment sold. We supply to our subscribers and distributors a selection of handsets at competitive prices, which are generally offered at or below cost.

Costs of services

Costs of services include the costs to place calls over the network (including the costs to operate and maintain our network and roaming costs paid to other wireless providers), as well as access, interconnection and toll charges paid to connect calls on other networks, including those of AT&T. Additionally, costs of services include the provision for uncollectible receivables and non-income related taxes.

Costs of services for the year ended December 31, 2001, were $3,991 million, an increase of $974 million, or 32.3%, compared with 2000. Approximately one-third of this increase was due to growth in the subscriber base and their increased minutes of use, which resulted in an increase in the access, toll and other connection charges paid to connect calls on other networks, including AT&T. An additional approximate one-third of the increase resulted from higher costs to maintain our owned and operated network, driven by continued expansion of our network during 2001, as well as the related increase in our network associated with acquisitions which occurred during 2000. The remaining increase was a result of higher provisions for uncollectible receivables and an increase in non-income related taxes.

Costs of equipment sales

Costs of equipment sales include the costs of the handsets and accessories sold to new as well as existing customers. Costs of equipment sales for the year ended December 31, 2001, were $2,037 million. This represented a decrease of $4 million, or 0.2%, compared with 2000. Costs of equipment sales for the year ended December 31, 2001, as compared with the prior year, were affected by a decrease in the average cost of items sold to subscribers and distributors. Offsetting these decreases was an increase in the number of items sold.

Selling, general and administrative

Selling, general and administrative expenses (SG&A) for the year ended December 31, 2001, were $4,482 million, an increase of $970 million, or 27.6%, compared with the prior year. Nearly one-half of this increase in SG&A was due to higher marketing and selling costs, primarily advertising and promotions, and commissions and other manpower-related expenses associated with the 34.7% increase in gross consolidated subscriber additions for the year ended December 31, 2001, compared with the prior year. CPGA, which includes the cost of handset subsidies recorded in costs of equipment sales, was $334 for the year ended December 31, 2001, a 9.0% decline compared with the prior year. We expect CPGA to decline during 2002 as a result of our continued focus on cost reductions. In addition, approximately one-fourth of the SG&A increase was due to an increase in expenses related to customer care and subscriber billing, which resulted from growth in the subscriber base.

Depreciation and amortization

Depreciation and amortization expenses for the year ended December 31, 2001, were $2,502 million, an increase of $863 million, or 52.7%, compared with 2000. The increase in depreciation and amortization expenses primarily resulted from growth in our depreciable asset base resulting from capital expenditures to

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increase the capacity of the network and improve call quality, as well as the impact of a full year' s worth of depreciation expense associated with property, plant and equipment acquired with the acquisitions that closed during 2000. Total capital expenditures, including capital expenditures related to internal-use software, were $5,356 million and $3,876 million for the years ended December 31, 2001 and 2000, respectively. Additionally, amortization expense, which includes amortization of licensing costs, goodwill, and other acquisition-related intangibles, increased for the year ended December 31, 2001, as a result of a full year' s worth of amortization associated with acquisitions that closed during 2000. Additionally, effective January 1, 2001, we shortened the lives of certain wireless communications equipment, which increased depreciation expense approximately $136 million, increased net loss available to common shareholders approximately $84 million and increased net loss available to common shareholders per basic and diluted share approximately $0.03, for the year ended December 31, 2001. As a result of changes in our technology and industry conditions, we periodically evaluate the useful lives of our wireless communications equipment. These evaluations could result in a change in our useful lives in future periods.

As a result of our evaluation of recent changes in the wireless telecommunications industry and the views of regulatory authorities, effective January 1, 2001, we began using an amortization period of 25 years for licensing costs and goodwill associated with newly acquired wireless operations. This change did not have a material impact on our results of operations for the year ended December 31, 2001. See Recent Accounting Pronouncements for details associated with additional changes in accounting and reporting for goodwill, licensing costs, and other intangibles that are effective January 1, 2002.

Other income

Other income primarily includes gains or losses on sales or exchanges of assets and businesses, revaluation gains and losses on derivative financial instruments, and interest income. Interest income for periods prior to the split-off primarily represented interest income from AT&T. Other income for the year ended December 31, 2001, was $374 million, compared with $534 million for the year ended December 31, 2000. Other income for the year ended December 31, 2001, primarily included interest income of $278 million and $73 million of gains associated with fair value adjustments related to the common stock warrants in AT&T Wireless Services which are held by DoCoMo and were considered to be derivative financial instruments. In December of 2001, the terms of the warrants were amended such that the warrants will no longer require fair value adjustments subsequent to December 2001. Other income for the year ended December 31, 2000, included a pre-tax gain of $379 million recognized on transactions associated with our affiliate investment in TeleCorp, interest income of $143 million on the note receivable from AT&T, and pre-tax gains totaling $141 million associated with the sale of two equity investments during the second quarter of 2000. Additionally, other income for the year ended December 31, 2000, included a pre-tax loss of $184 million associated with the acquisition of the Los Angeles cellular property resulting from AB Cellular' s redemption of our equity interest in AB Cellular.

Interest expense

Interest expense, net of amounts capitalized, consists primarily of interest on long-term debt to others and intercompany debt due to AT&T prior to the repayment in June 2001. Interest expense for the year ended December 31, 2001, was $386 million, an increase of $301 million, or 353.6%, compared with 2000. The increase in interest expense related primarily to interest expense associated with the $6.5 billion Senior Notes offering which occurred in March 2001. This increase was partially offset by a decrease in intercompany interest paid to AT&T.

Provision (benefit) for income taxes

The provision for income taxes for the year ended December 31, 2001, was $311 million, compared with $246 million for the year ended December 31, 2000. The annual effective income tax rate for the year ended December 31, 2001, was 53.0%, compared with 35.7% for the year ended December 31, 2000. The annual effective income tax rate for 2001 was affected by non-deductible goodwill and other amortization, reserve adjustments associated with the split-off, and fair value adjustments associated with the common stock

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warrants held by DoCoMo. The annual effective income tax rate for 2000 was affected by non-deductible goodwill, as well as the sale of a foreign investment.

Net equity (losses) earnings from investments in unconsolidated subsidiaries

Net equity (losses) earnings from investments in unconsolidated subsidiaries, net of tax, were $75 million of losses for the year ended December 31, 2001, compared with $388 million of earnings for 2000, and were associated with our domestic and international equity investments. Net equity (losses) earnings from investments in unconsolidated subsidiaries for the year ended December 31, 2001, included a $298 million after-tax gain associated with the sale of our equity investment in Japan Telecom. Additionally, net equity (losses) earnings from investments in unconsolidated subsidiaries for the year ended December 31, 2001, included $66 million, net of tax, associated with impairment charges for market value declines of two international investments, as these declines were deemed to be other than temporary. Net equity (losses) earnings from investments in unconsolidated subsidiaries for the year ended December 31, 2000, included a $372 million after-tax gain recognized by our equity investment in AB Cellular on the redemption of our equity interest in December 2000. Excluding the 2001 and 2000 gains and impairments, net equity (losses) earnings from investments in unconsolidated subsidiaries, net of tax, decreased $323 million. Approximately three-quarters of this decrease was the result of equity earnings recognized during 2000 compared to 2001 related to CMT Partners and AB Cellular. The remaining decrease was associated with increased losses from domestic affiliate investments, as well as international investments. We anticipate that we will continue to record equity losses associated with our international, and certain domestic equity method investments during 2002. Effective with our merger with TeleCorp, we will no longer reflect our proportionate share of equity losses associated with TeleCorp within net equity (losses) earnings from investments in unconsolidated subsidiaries, as this entity will be consolidated. See Recent Accounting Pronouncements for details associated with additional changes in accounting and reporting for goodwill, licensing costs, and other intangibles that are effective January 1, 2002.

Dividend requirements on preferred stock held by AT&T

At December 31, 2000, we had outstanding $3.0 billion of preferred stock held by AT&T that paid dividends at 9% per annum. In June 2001, we redeemed the $3.0 billion of preferred stock held by AT&T. Dividend requirements on this preferred stock for the year ended December 31, 2001, were $76 million and for the year ended December 31, 2000, were $130 million, net of amounts recorded in accordance with a tax-sharing agreement between AT&T Wireless Services and AT&T.

Income (loss) from continuing operations available to common shareholders per share

Income (loss) from continuing operations available to common shareholders per share was $0.05 for the year ended December 31, 2001, compared with $0.28 for the year ended December 31, 2000. Partially contributing to the decrease were lower gains associated with one-time transactions recorded during 2001 as compared to 2000. The 2001 period included the gain recognized on the sale of our equity interest in Japan Telecom. The 2000 period included gains resulting from the sale of two equity investments, the gain on the transactions associated with our affiliate investment in TeleCorp, and the net gain associated with the redemption of our equity interest in AB Cellular. Also contributing to the decrease in income (loss) from continuing operations available to common shareholders per share for the year ended December 31, 2001, was an increase in interest expense, as well as a decrease in net equity earnings from investments, excluding the one-time transactions. These decreases were partially offset by an increase in operating income.

Loss from discontinued operations per share

Loss from discontinued operations per share increased to ($0.43) for the year ended December 31, 2001, compared with ($0.07) for the year ended December 31, 2000. The loss from discontinued operations for the year ended December 31, 2001, included ($0.32) resulting from the $0.8 billion after-tax charge associated with the loss on disposal of the fixed wireless business recorded during the fourth quarter.

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Net (loss) income available to common shareholders per share

Net (loss) income available to common shareholders per share was a loss of ($0.38) for the year ended December 31, 2001, compared with income of $0.21 for the year ended December 31, 2000. The decrease in net (loss) income available to common shareholders per share was driven by both lower income associated with our continuing operations and higher losses associated with our discontinued operations.

Year Ended December 31, 2000, Compared with the Year Ended December 31, 1999

Revenue

Total revenue increased 37.0% to $10,446 million for the year ended December 31, 2000, compared with the prior year. Total revenue increased 29.6% for the year ended December 31, 2000, compared with 1999, adjusted to exclude the Bay Area Properties from July 2000 to December 2000, and to exclude Vanguard Cellular for the period of January 2000 to April 2000, to correlate results with 1999, due to the June 2000 and May 1999 acquisitions, respectively.

Services revenue for the year ended December 31, 2000, was $9,374 million, an increase of $2,551 million, or 37.4%, compared with 1999. Services revenue increased 29.9% for the year ended December 31, 2000, compared with 1999, adjusted to exclude the Bay Area Properties from July 2000 to December 2000, and to exclude Vanguard Cellular for the period of January 2000 to April 2000, to correlate results with 1999, due to the June 2000 and May 1999 acquisitions, respectively. The services revenue growth was driven primarily by strong consolidated subscriber growth. Additionally, an increase in ARPU for the year ended December 31, 2000, compared with the prior year, contributed to the growth in services revenue. AT&T Digital One Rate service, including additional calling plans introduced in August 2000 as well as the AT&T Regional and Digital Advantage plans announced during the second quarter of 2000, contributed to growth in subscribers as well as an increase in services revenue.

As of December 31, 2000, we had nearly 15.2 million consolidated subscribers, an increase of 58.5% compared with the prior year, of which over 90% were digital subscribers, up from over 79% as of December 31, 1999. Consolidated subscribers at December 31, 2000 included approximately 3 million subscribers associated with acquisitions that closed in 2000. Net consolidated wireless subscriber additions in the year ended December 31, 2000, totaled nearly 2.6 million, a 67.5% increase over the prior year, including 865 thousand during the fourth quarter. Our average monthly churn rate for the year ended December 31, 2000 was 2.9%, compared with 2.6% for the year ended December 31, 1999. Our average monthly churn rate increased during 2000 as a result of competitive pressures and our efforts to expand the customers we serve to a broader base of consumer segments. Total subscribers, including affiliate markets in which we do not own a controlling interest, were over 17.0 million at the end of 2000. Due to the redemption of our equity interest in AB Cellular during the fourth quarter of 2000, the Houston market subscribers of AB Cellular were no longer included in our total subscribers. Ending total subscribers included approximately 450 thousand subscribers associated with our acquisition of American Cellular in February 2000.

Our ARPU for the year ended December 31, 2000, was $68.20, an increase of 3.6% compared with 1999. The increase was primarily due to increased minutes of use per subscriber, driven in part by the continued success of AT&T Digital One Rate service and other rate plans introduced in 2000. Our ARPU trended downward during the second half of 2000 as a result of market segmentation efforts. Despite this, our ARPU remained higher than the wireless industry average during the year ended December 31, 2000.

Equipment revenue for the year ended December 31, 2000, was $1,072 million, an increase of $268 million, or 33.2%, compared with 1999. This increase was primarily due to a 53.6% increase in gross consolidated subscriber additions during the year ended December 31, 2000, compared with 1999, which included gross subscriber additions associated with acquisitions completed during 2000.

Costs of services

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Costs of services for the year ended December 31, 2000, were $3,017 million, an increase of $487 million, or 19.2%, compared with 1999. Nearly one-fourth of this increase was due to growth in the subscriber base and

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their increased minutes of use, which resulted in an increase in toll, access and other connection charges paid to connect calls on other networks, including AT&T. An additional approximate one-fourth of the increase was the result of an increase in the costs to maintain our owned and operated network. The remaining increase was partially a result of higher provisions for uncollectible receivables, as well as increases in non-income related taxes. Partially offsetting these increases was a decrease in roaming costs paid to other wireless service providers/carriers.

Costs of equipment sales

Costs of equipment sales for the year ended December 31, 2000, were $2,041 million. This was an increase of $775 million, or 61.2%, compared with 1999. This increase was due primarily to higher gross subscriber additions in 2000 compared with the prior year, including gross subscriber additions associated with acquisitions completed during 2000.

Selling, general and administrative

SG&A for the year ended December 31, 2000, were $3,512 million, compared with $2,641 million for the year ended December 31, 1999, representing an increase of 33.0%. Approximately one-half of the increase in SG&A was due to higher marketing and selling costs, primarily advertising and commissions, associated with the increase in gross consolidated subscriber additions for the year ended December 31, 2000, compared to 1999. CPGA was $367 for both the years ended December 31, 2000 and 1999. In addition, approximately one-third of the SG&A increase was due to an increase in information technology and customer care-related expenses, which resulted from growth in the customer base.

Depreciation and amortization

Depreciation and amortization expenses for the year ended December 31, 2000, were $1,639 million, an increase of $408 million, or 33.1%, compared with 1999. The increase in depreciation and amortization expenses primarily resulted from growth in our depreciable asset base resulting from capital expenditures to increase the capacity of the network and improve call quality. Total capital expenditures, including capital expenditures associated with internal-use software, were $3,876 million and $2,339 million for the years ended December 31, 2000 and 1999, respectively. Additionally, amortization expense, which includes amortization of licensing costs, goodwill, and other acquisition-related intangibles, increased for the year ended December 31, 2000, as a result of the 1999 acquisitions of Vanguard Cellular and Honolulu Cellular, as well as the 2000 acquisitions, primarily the Bay Area Properties and Wireless One, both of which closed during June 2000.

Asset impairment and restructuring charges

During the fourth quarter of 1999, we recorded a $528 million asset-impairment charge primarily associated with the planned disposal of wireless communications equipment resulting from a program to increase capacity and operating efficiency of the wireless network. The program provided us with the newest technology available and allowed us to evolve to new next-generation digital technology, which will provide high-speed data capabilities.

Other income

Other income for the year ended December 31, 2000, was $534 million, compared with $122 million for the year ended December 31, 1999. The increase for the year ended December 31, 2000, was due primarily to the pre-tax gain of $379 million recognized on the transactions associated with our affiliate investment in TeleCorp, interest income of $143 million on the note receivable from AT&T, and pre-tax gains totaling $141 million associated with the sale of two equity investments during the second quarter of 2000. These increases were partially offset by a pre-tax loss of $184 million associated with the acquisition of the Los Angeles cellular property resulting from AB Cellular' s redemption of our equity interest in AB Cellular, as well as pre-tax gains on the sale of businesses and investments of $99 million recorded in 1999.

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Interest expense

Interest expense for the year ended December 31, 2000, was $85 million, a decrease of $51 million, or 37.2%, compared with 1999. The decrease was due to higher levels of capitalized interest as a result of increased capital expenditures, as well as lower levels of average outstanding debt due to AT&T. The decrease in the average outstanding debt due to AT&T was attributable to the recapitalization of $2.0 billion of long-term debt due to AT&T into 9% cumulative preferred stock held by AT&T in conjunction with the offering of AT&T Wireless Group tracking stock in April 2000. These decreases were partially offset by a higher rate of interest charged by AT&T on the intercompany debt in 2000 versus the prior year.

Provision (benefit) for income taxes

The provision for income taxes for the year ended December 31, 2000, was $246 million, compared with a benefit of $257 million for the year ended December 31, 1999. The annual effective income tax rate for the year ended December 31, 2000, was 35.7%, compared with 44.1% for the year ended December 31, 1999. The annual effective income tax rate for 2000 was affected by non-deductible goodwill, as well as the sale of a foreign investment. The annual effective income tax rate for 1999 was affected by the benefit from a change in the valuation allowance and other estimates, offset by non-deductible goodwill and other purchased intangibles.

Net equity (losses) earnings from investments in unconsolidated subsidiaries

Net equity (losses) earnings from investments in unconsolidated subsidiaries, net of tax, were $388 million of earnings for the year ended December 31, 2000, compared with $19 million of losses for 1999, and were associated with our domestic and international equity investments. Approximately $327 million of the increase was related to our domestic equity investments, and the remaining increase was associated with decreased losses from our international equity investments. The increase in our domestic net equity earnings was primarily due to a $372 million after-tax gain included in equity earnings for our proportionate share of the gain recognized by AB Cellular on the redemption of our equity interest in AB Cellular.

Dividend requirements on preferred stock held by AT&T

At December 31, 2000 and 1999, we had outstanding $3.0 billion and $1.0 billion, respectively, of preferred stock held by AT&T that paid dividends at 9% per annum. Long-term debt due to AT&T of $2.0 billion was recapitalized into an additional $2.0 billion of 9% cumulative preferred stock held by AT&T in conjunction with the offering of AT&T Wireless Group tracking stock. Dividend requirements on this preferred stock for the year ended December 31, 2000, were $130 million and for the year ended December 31, 1999, were $56 million, net of amounts recorded in accordance with the tax-sharing agreement.

Income (loss) from continuing operations available to common shareholders per share

Income (loss) from continuing operations available to common shareholders per share was income of $0.28 for the year ended December 31, 2000, compared with a loss of ($0.16) for the year ended December 31, 1999. Partially contributing to the increase were one-time transactions recorded during both 2000 and 1999. The 2000 period included gains resulting from the sale of two equity investments, the gain on the transactions associated with our affiliate investment TeleCorp, and the net gain associated with the redemption of our equity interest in AB Cellular. The 1999 period included the asset impairment and restructuring charge. The remaining increase in income (loss) from continuing operations available to common shareholders per share resulted from higher operating income, as well as increased interest income, partially offset by an increased provision for income taxes and higher dividend requirements on preferred stock held by AT&T.

Loss from discontinued operations per share

Loss from discontinued operations per share increased to ($0.07) for the year ended December 31, 2000, compared with ($0.02) for the year ended December 31, 1999. The increased losses resulted from higher

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operating expenses, including costs of services and SG&A associated with the launching of commercial service by the fixed wireless business during 2000.

Net (loss) income available to common shareholders per share

Net (loss) income available to common shareholders per share was income of $0.21 for the year ended December 31, 2000, compared with a loss of ($0.18) for the year ended December 31, 1999. The increase in net (loss) income available to common shareholders per share was driven by higher income associated with our continuing operations, partially offset by higher losses associated with our discontinued operations.

Liquidity and Capital Resources

Capital Resources

Prior to the split-off, financing activities for AT&T Wireless Services and the rest of AT&T Wireless Group were managed by AT&T on a centralized basis and were subject to the review of the AT&T Wireless Group capital stock committee of AT&T' s board of directors. Sources of funds included AT&T Wireless Group tracking stock offering proceeds attributed from AT&T, intercompany borrowings from AT&T, internally generated funds, capital contributions from AT&T prior to the AT&T Wireless Group tracking stock offering, as well as proceeds from the DoCoMo transaction. Capital contributions from AT&T prior to the offering included acquisitions made by AT&T that have been attributed to us. Non-cash capital contributions from AT&T related to acquisitions and initial investments funded by AT&T prior to the offering totaled $539 million and $2,553 million for the years ended December 31, 2000 and 1999, respectively. In addition, AT&T performed cash management functions on our behalf. Cash balances maintained and reported by us prior to the split-off primarily represented cash balances for which no right of offset existed with AT&T. Effective with the split-off, we began performing cash management and financing activities as a stand-alone entity.

We expect to rely on existing cash balances that resulted from various transactions discussed below, as well as cash generated from operations and external funds, to fund our capital requirements for at least the next 12 months. Our capital requirements will include capital expenditures associated with continued network expansion, spectrum requirements, including commitments associated with our affiliate Alaska Native Wireless (ANW), acquisitions, debt service requirements, non-consolidated investment fundings, and cash requirements to expand our subscriber base. Sources of external funds may include the issuance of public equity or debt securities, issuances of commercial paper, utilization of existing credit facilities, or securitization of receivables. We may also generate cash from the sale of non-strategic assets or excess spectrum. Our needs for additional capital will be impacted by our ability to reduce costs and continue to achieve subscriber and revenue growth.

In association with the split-off, AT&T Wireless Services and AT&T entered into a separation and distribution agreement that governed the terms of the split-off. In June 2001, we repaid to AT&T the $1.8 billion of long-term debt and related accrued interest, and redeemed the $3.0 billion of preferred stock and related unpaid dividends held by AT&T. Additionally, under the separation and distribution agreement, in early July 2001, prior to the split-off, we received payment of our note receivable from AT&T, which totaled $5.3 billion. The $5.3 billion represented funds not yet utilized associated with the DoCoMo investment and Senior Notes offering discussed below.

On January 22, 2001, AT&T closed its transaction with DoCoMo. AT&T attributed $6.1 billion of the approximate $9.8 billion of net proceeds received from DoCoMo to us. We utilized a portion of these proceeds during 2001 to fund capital expenditures, including capital expenditures to support the initial build-out and launch of our GSM network. Pursuant to this agreement, DoCoMo may require the repurchase of its investment at DoCoMo' s original purchase price, plus interest, if, under certain circumstances, we fail to meet specified technological milestones. DoCoMo may require the repurchase of its investment, plus interest, if prior to June 30, 2004, we abandon wideband code division multiple access as our primary technology for third-generation services, or if we fail to launch services using universal mobile telecommunications systems (UMTS) in at least 13 of the top 50 U.S. markets, with certain specified exceptions. Although we believe that

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the likelihood of us having to repurchase DoCoMo' s investment is remote, if this occurred, the amount would be material to our results of operations and cash flows.

On March 6, 2001, we completed a private placement of $6.5 billion in unsecured and unsubordinated Senior Notes with $1 billion maturing on March 1, 2006, $3 billion maturing on March 1, 2011, and $2.5 billion maturing on March 1, 2031. The notes pay interest at fixed rates ranging from 7.350% to 8.750% per annum, payable semi-annually, and include customary covenants. In accordance with registration rights attached to the notes, on October 3, 2001, we completed an exchange offer exchanging, at the election of the note holder, nearly 100% of private placement Senior Notes for new Senior Notes pursuant to a registration statement filed under the Securities Act of 1933. We had interest expense of $443 million for the year ended December 31, 2001, associated with these notes, of which $100 million was capitalized. We have entered into interest rate swaps totaling $700 million as of December 31, 2001, related to these notes. Interest savings recognized for the year ended December 31, 2001, related to the interest rate swaps totaled $2 million. We expect to incur interest payments related to these notes of approximately $525 million for the year ended December 31, 2002.

On March 23, 2001, we entered into Competitive Advance and Revolving Credit Facilities (the Facilities) in the aggregate amount of $2.5 billion consisting of an up to $1.25 billion 364-day Competitive Advance and Revolving Credit Facility and an up to $1.25 billion Five-Year Competitive Advance and Revolving Credit Facility. The Facilities are subject to a facility fee ranging from 8 to 30 basis points, payable quarterly on the total commitment, used or unused. The facility fees are based on the respective agreements and will fluctuate based on our Senior Notes rating. The Facilities are also subject to a utilization fee of 12.5 basis points if borrowings exceed certain levels as defined in the agreement. The Facilities bear interest at variable rates based upon, in various cases, (i) LIBOR plus 32.5 to 100 basis points depending on our Senior Notes rating or (ii) the greater of the prime rate or the Federal funds effective rate plus 50 basis points. The Facilities are to be used for general corporate purposes and are subject to customary covenants, representations, warranties and events of default. In addition, the Facilities contain financial covenants requiring us to maintain certain financial ratios. Further, the existence of an obligation by us to repurchase equity interests from DoCoMo may under certain circumstances constitute an event of default. No amounts had been borrowed under the Facilities at December 31, 2001.

During June 2001, we finalized agreements with a group of commercial paper dealers to issue up to $2.5 billion of private placement commercial paper notes. The notes will be unsecured, ranking pari passu with our other unsubordinated and unsecured indebtedness. Maturity of the notes will be up to 365 days from date of issue. As of December 31, 2001, we had not issued any notes under this program.

On March 1, 2002, we initiated a three-year accounts receivable securitization program. The securitization program will allow for up to $1.2 billion of financing, to be collateralized by subscriber trade accounts receivable. Under the program, we can sell subscriber trade accounts receivable on a revolving basis to a special-purpose, wholly owned subsidiary of us. Our wholly owned subsidiary would then sell an undivided interest in such receivables to an unrelated third-party financing entity. The financing is subject to program fees, payable monthly, based on the outstanding borrowed amount. There are currently no amounts outstanding under this financing arrangement. This financing arrangement is to be used for general corporate purposes, is subject to customary securitization covenants and will be recorded as an on-balance sheet transaction. Included in the covenants are provisions for the termination of the program in the event that a minimum credit rating is not maintained by us associated with our Senior Notes.

Capital Requirements − Capital Expenditures

The operation, upgrade and expansion of our network, including our upgrade to next-generation technologies will require substantial amounts of capital over the next several years. Capital expenditures totaled $5.0 billion for the year ended December 31, 2001, of which approximately 20% represented capital expenditures associated with the initial build-out of our interim data network, GSM/ GPRS. The remaining approximately 80% represented capital expenditures associated with our existing TDMA network. During 2002, we expect to spend approximately $5.0 billion on capital expenditures, of which we estimate that

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approximately two-thirds will be spent on our GSM/ GPRS network. We have entered into various purchase commitments for network equipment as well as handsets related to the development of our next-generation strategy. Those commitments totaled $1.5 billion as of December 31, 2001, and expire between 2002 and 2004.

Capital Requirements − Spectrum

We may also require substantial capital for additional spectrum, including our existing commitment as discussed below to fund spectrum purchases made by our affiliate ANW. To the extent winning bids made by ANW are revoked and the licenses are not granted, we may pursue other alternatives associated with acquiring additional spectrum. Access to this spectrum, or other sources of spectrum, will enhance our existing spectrum portfolio, as well as help us to meet customer growth targets and the growing demand for and usage of existing and new wireless products.

During November 2000, AT&T Wireless Services joined with others in the formation of a venture, ANW, which participated in the Federal Communication Commission' s (FCC) recent auction of license spectrum in the 1900 megahertz band, which is used to provide wireless services. In January 2001, the auction was completed, and ANW was the high bidder on approximately $2.9 billion in licenses. AT&T Wireless Services committed to fund $2.6 billion to ANW to fund ANW' s purchase of licenses. As of December 31, 2001, AT&T Wireless Services funded approximately $309 million of the commitment through a combination of a non-controlling equity interest and debt securities of ANW. On March 4, 2002, the FCC announced that it is prepared to grant to ANW some of the licenses on which it was the high bidder upon payment of $90 million, which is the balance of the purchase price for those licenses. AT&T Wireless Services anticipates that it will provide funding for this purchase to ANW. The remaining approximately $2.2 billion of additional funding will be made if and when the remaining licenses are granted, and will take the form of convertible and non-convertible notes of ANW. At the fifth anniversary of the first date on which licenses won in the auction are granted to ANW, and in addition to other means by which they may transfer their interests, the other owners of ANW have the right to require AT&T Wireless Services to purchase their equity interests. If this right were exercised five years after license grant, assuming licenses are granted in March 2002, the purchase price would be up to approximately $1.1 billion and would be payable, at AT&T Wireless Services' option, in cash or marketable securities. The right to require AT&T Wireless Services to purchase these interests may be exercised before the five-year anniversary of the license grant if the conditions of certain FCC regulations restricting the free transferability of certain licenses offered in this auction are met earlier. If the right were exercised earlier, the purchase price would be calculated in generally the same way as if exercised at five years, except that a discount would be applied. In certain circumstances, if a winning bid of ANW is rejected or if any license granted to ANW is revoked, AT&T Wireless Services would be obligated to compensate other owners for making capital available to the venture. AT&T Wireless Services does not believe the amount of any such compensation, if it were required, would be material. In June 2001, a federal appeals court ruled that the FCC had acted improperly in repossessing from NextWave Telecom, Inc. most of the spectrum offered in the auction. The United States Supreme Court has ruled that it will hear an appeal of that decision.

We had commitments to fund spectrum acquisitions and operational funding requirements of an equity method investment that totaled approximately $251 million as of December 31, 2001. These commitments were fully funded during the first quarter of 2002.

Capital Requirements − Acquisitions

On October 8, 2001, we announced that we had entered into an agreement to acquire TeleCorp in an all-stock transaction then valued at approximately $4.7 billion. We agreed to acquire the remaining 77% of TeleCorp that we did not already own for AT&T Wireless Services common stock then valued at approximately $2.4 billion and the assumption of $2.1 billion in net debt and approximately $221 million in preferred securities. We closed the merger transaction with TeleCorp on February 15, 2002.

Upon closing of the transaction with TeleCorp, we repaid approximately $938 million of the debt assumed from TeleCorp, including their outstanding bank credit facilities and government financings. The

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remaining debt we assumed primarily includes senior subordinated notes paying interest rates ranging from 10 5/8% to 12 3/4%. Certain of these notes contain restrictive covenants. We are currently evaluating alternatives related to these senior subordinated notes. Assuming the senior subordinated notes remain outstanding during 2002, our expected interest payments associated with these notes would be $95 million. Also upon closing of the transaction, we issued mandatorily redeemable preferred stock to replace certain previously outstanding series of TeleCorp preferred stock, which accrete interest at rates of 6.0% per annum.

In addition to the debt service requirements associated with the TeleCorp acquisition, we will also require capital resources to fund their operational needs, including operational requirements associated with aligning TeleCorp' s markets with our existing national processes. Additionally, we will require capital resources to fund capital expenditures to expand their existing network and begin initial deployment of their interim data network.

On February 27, 2002, we signed a definitive agreement to acquire for $285 million in cash the remaining 49% minority interest in a market in which we previously held a 51% ownership interest. The agreement remains subject to certain closing conditions and is expected to close during the first half of 2002.

Capital Requirements − Other

In December 2001, we finalized plans and received approval from our board of directors to exit the fixed wireless business. This decision resulted in a pre-tax charge during the fourth quarter of $1.3 billion, reflecting a write-down of the assets and the impact of phased exit charges. The pre-tax charge of $1.3 billion included asset write-offs of $1.1 billion and estimated cash closing costs associated with the exit of the business of $258 million, of which $30 million was paid in December 2001. We anticipate that disposal of the fixed wireless business will be completed by mid-2002.

We periodically make equity contributions into international and domestic investments in which we do not own a controlling interest. We currently have no commitments outstanding related to these investments, with the exception of our commitment associated with ANW discussed above.

In conjunction with the split-off, we entered into a Master Carrier Agreement with AT&T to purchase certain voice and data telecommunications services. Under the Master Carrier Agreement, we are required to purchase wholesale long-distance services we provide to our customers in an amount equal to our 2001 actual purchases for each of five years, beginning with the date of split-off. We are required to pay AT&T any shortfall in cumulative usage at the rate of $0.01 per minute at the end of the five year period. Our maximum commitment for this shortfall as of December 31, 2001 was approximately $484 million. We are also required to purchase long-distance services associated with our administrative phone usage equal to $75 million for each of three years following the split-off. As of December 31, 2001, we had fulfilled approximately $45 million of the first year' s commitment under the agreement. In addition, we are required to purchase certain network data services from AT&T in an amount equal to $36 million for each of the three years following the split-off. As of December 31, 2001, we had fulfilled all of the first year' s commitment under the agreement.

As of December 31, 2001, our estimated commitments associated with operating leases were approximately $2.3 billion. These commitments are associated with contracts that expire in various years through 2045.

We have commitments with local exchange carries for dedicated leased lines. The original terms of these commitments vary from month-to-month up to five years. We incurred approximately $300 million in 2001 related to these dedicated transport commitments. We also have various other purchase commitments for materials, supplies and other items incidental to the ordinary course of business which are not significant individually, nor in the aggregate.

As of December 31, 2001, we had no material off-balance sheet financing arrangements.

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Cash Flows for the Year Ended December 31, 2001, Compared with the Year Ended December 31, 2000

Net cash provided by operating activities of continuing operations for the year ended December 31, 2001, was $2,734 million, compared with $1,786 million for the year ended December 31, 2000. The increase in net cash provided by operating activities from continuing operations was primarily due to an increase in operating income excluding depreciation and amortization, resulting from revenue growth and a continued focus on cost reductions. Net cash provided by operating activities of continuing operations also increased as a result of a decrease in inventories in the current year versus an increase in the prior year, as well as an increase in interest accruals for the year ended December 31, 2001. These increases were partially offset by larger increases in operating and payroll-related accruals for the year ended December 31, 2000, as compared with the current year. Net cash used in investing activities from continuing operations for the year ended December 31, 2001, was $5,910 million, compared with $9,927 million for the year ended December 31, 2000. The decrease was due primarily to the acquisitions of wireless systems in Houston, Indianapolis, San Diego, the Bay Area Properties, and Wireless One totaling approximately $4.7 billion during 2000. Additionally, investing activities from continuing operations for the year ended December 31, 2001, included the approximate $650 million in pre-tax proceeds realized on the sale of our equity interest in Japan Telecom. Offsetting these decreases was an increase in capital expenditures for the year ended December 31, 2001, compared with the year ended December 31, 2000, primarily as a result of spending associated with the initial build-out of our GSM network. Net cash provided by financing activities of continuing operations for the year ended December 31, 2001, was $7,034 million, compared with $8,947 million for the year ended December 31, 2000. Financing activities of continuing operations for the year ended December 31, 2001, included the $6.1 billion of allocated net proceeds from AT&T associated with the investment by DoCoMo, as well as the $6.3 billion of net proceeds received from our Senior Notes offering in March 2001. These proceeds were offset by the $2.4 billion of debt repaid to AT&T and $3.0 billion of preferred stock held by AT&T that we redeemed in June 2001. Net cash provided by financing activities of continuing operations for the year ended December 31, 2000, primarily included the $7.0 billion of proceeds allocated from AT&T associated with the April 2000 offering of AT&T Wireless Group tracking stock, as well as an increase in debt and transfers from AT&T. Net cash used in discontinued operations decreased to $568 million for the year ended December 31, 2001, versus net cash used of $749 million for the year ended December 31, 2000. The decrease in net cash used in discontinued operations was primarily driven by $184 million of license purchases made by the fixed wireless business during the year ended December 31, 2000.

Cash Flows for the Year Ended December 31, 2000, Compared with the Year Ended December 31, 1999

Net cash provided by operating activities of continuing operations for the year ended December 31, 2000, was $1,786 million, compared with $913 million for the year ended December 31, 1999. Approximately three-quarters of the increase in cash provided by operating activities from continuing operations was due to an increase in operating income excluding depreciation and amortization, and the asset impairment and restructuring charge in 1999, resulting from revenue growth and expense leveraging. The remaining increase was due to an increase in operating and payroll-related accruals, partially offset by increases in inventories and accounts receivable. Net cash used in investing activities from continuing operations for the year ended December 31, 2000, was $9,927 million, compared with $1,986 million for the year ended December 31, 1999. The increase was due primarily to the acquisitions of wireless systems in Houston, Indianapolis, San Diego, the Bay Area Properties, and Wireless One totaling approximately $4.7 billion. Equity investment purchases increased primarily due to the acquisition of approximately $1.0 billion in equity interests in international ventures, acquired from AT&T in association with their acquisition of MediaOne. The remaining increase was due to increased capital expenditures as a result of efforts to increase network capacity in existing markets as well as to expand our national footprint. Net cash provided by financing activities of continuing operations for the year December 31, 2000, was $8,947 million, compared with $1,234 million for the year ended December 31, 1999. The increase was primarily due to the $7.0 billion of proceeds attributed from the offering of AT&T Wireless Group tracking stock, $0.6 billion of short-term debt borrowed from AT&T, as well as increased transfers from AT&T prior to the offering, to fund acquisitions and higher capital expenditures. Net cash used in discontinued operations increased to $749 million for the year ended December 31, 2000, versus net cash used of $183 million for the year ended December 31, 1999. The increase in net cash used in

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discontinued operations was primarily driven by an increase in capital expenditures and license purchases, as well as higher operating losses associated with the fixed wireless business.

EBITDA for the Year Ended December 31, 2001, Compared with the Year Ended December 31, 2000

EBITDA and EBITDA excluding our non-cash asset impairment and restructuring charges are the primary measures used by the chief operating decision-makers to measure our ability to generate cash flow. EBITDA may or may not be consistent with the calculation of EBITDA for other public companies and should not be viewed by investors as an alternative to accounting principles generally accepted in the United States of America, measures of performance or to cash flows from operating, investing and financing activities as a measure of liquidity.

EBITDA for the year ended December 31, 2001, was $3,100 million, compared with $1,876 million for the year ended December 31, 2000. The growth in EBITDA was due to an increase in services revenue and a continued focus on cost reductions, primarily within SG&A. This EBITDA growth was partially offset by increased network costs attributable to the growth in subscribers and their related increased minutes of use, as well as increased acquisition and customer care-related expenses associated with growth in the subscriber base.

EBITDA for the Year Ended December 31, 2000, Compared with the Year Ended December 31, 1999

EBITDA for the year ended December 31, 2000, was $1,876 million, compared with $662 million for the year ended December 31, 1999. On an operational basis, adjusted to exclude the 1999 asset impairment and restructuring charge of $528 million, operational EBITDA increased $686 million or 57.6%. The increase was primarily the result of revenue growth and lower incollect expenses. These increases were partially offset by increased customer-acquisition costs associated with the increase in gross subscriber additions, increased network costs attributable to the growth in subscribers and their minutes of use, and increased information technology and customer care-related costs to support growth in the subscriber base.

EBITDA Margin for the Year Ended December 31, 2001, Compared with the Year Ended December 31, 2000

EBITDA margin, defined as EBITDA as a percentage of services revenue, was 24.7% for the year ended December 31, 2001, compared with 20.0% for the year ended December 31, 2000. The improvement in EBITDA margin for the year ended December 31, 2001, compared with the year ended December 31, 2000, was primarily driven by revenue growth, a reduction in incollect expenses, and a decrease in costs of equipment sales and the related equipment incentives. These improvements were partially offset by increased costs of services, including access, toll and interconnection charges, higher expenses associated with our expanded network, and an increase in the provision for uncollectible receivables.

EBITDA Margin for the Year Ended December 31, 2000, Compared with the Year Ended December 31, 1999

EBITDA margin was 20.0% for the year ended December 31, 2000, compared with 17.4% for the year ended December 31, 1999, excluding the 1999 asset impairment and restructuring charge. The improvement in EBITDA margin for the year ended December 31, 2000, compared to the year ended December 31, 1999, was primarily driven by revenue growth and expense leveraging, primarily incollect expenses, partially offset by increased customer acquisition and customer care costs associated with growth in the subscriber base.

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Quantitative and Qualitative Information About Market Risk

Prior to the split-off, our market risk was managed by AT&T, as AT&T performed cash management and other treasury-related functions on our behalf. Subsequent to the split-off, we are responsible for managing market risk as a separate company. We are exposed to market risk from changes in interest and foreign exchange rates. Additionally, we are exposed to market risk associated with changes in prices of AT&T Wireless Services common stock. We use certain derivative financial instruments, primarily interest rate

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swaps, to manage our market risks. We do not use derivative financial instruments for trading or speculative purposes.

We currently have outstanding $6.5 billion of Senior Notes with fixed interest rates ranging from 7.35% to 8.75%, and with maturity dates between 2006 and 2031. As of December 31, 2001, we had entered into interest rate swaps with a total notional value of $700 million. On a semi-annual basis, we pay a floating rate of interest plus a fixed spread, which averaged 4.5% as of December 31, 2001, and receive a fixed rate of 7.35% in return. The swaps were entered into as hedges of the fair value of our 7.35%, 2006 bonds, and expire on March 1, 2006, the bonds' maturity date. Assuming a 10% shift in interest rates, the fair value of the interest rate swaps and the underlying hedged debt would have changed by approximately $14 million at December 31, 2001.

Prior to the split-off, we were subject to interest rate risk associated with our short- and long-term debt due to AT&T. Our short-term debt due to AT&T was in the form of a revolving loan, paying interest monthly at the average seven-day commercial paper rate, which was 8.37% at December 31, 2000. The loan was repaid in full in January 2001. Our long-term debt due to AT&T was 10-year term debt that bore interest at a fixed rate of 8.1% per annum. Our long-term debt due to AT&T was repaid in June 2001.

We may have future interest rate risk associated with the $2.5 billion Competitive Advance and Revolving Credit Facilities (Facilities), which were executed in March 2001, as well as the commercial paper agreement we finalized in June 2001. The Facilities bear interest at variable rates based upon, in various cases, (i) LIBOR plus 32.5 to 100 basis points depending upon our Senior Notes rating, or (ii) the greater of the prime rate or the Federal funds effective rate plus 50 basis points. As of December 31, 2001, there were no amounts outstanding under the Facilities, or any notes outstanding under the commercial paper agreement.

We have foreign currency risk associated with investments in wireless companies outside of the United States of America. Results for our international investments in unconsolidated subsidiaries are translated from the designated functional currency to the U.S. dollar using average exchange rates during the period, while assets and liabilities are translated at the exchange rate in effect at the reporting date. We have not entered into any derivative financial instruments to hedge our foreign currency exposure. Additionally, we believe that the potential exposure is not material to our overall financial position or results of operations.

We have equity price risk associated with common stock warrants in our common stock which are held by DoCoMo. In association with the split-off, DoCoMo's warrants in AT&T Wireless Group tracking stock were converted into 41.7 million common stock warrants in AT&T Wireless Services with a strike price of $35 per share.

The risk management discussion above, related to our market risks, contains forward-looking statements. Future impacts of market risk would be based on actual developments in the financial markets.

Financial Condition At December 31, 2001, Compared with December 31, 2000

Total assets increased to $41,722 million at December 31, 2001, an increase of $6,420 million, or 18.2%, versus December 31, 2000. Total assets at December 31, 2001, included $3.4 billion of cash and cash equivalents which represented the remaining proceeds from the $6.5 billion Senior Notes offering in March 2001, as well as the $6.1 billion of net proceeds allocated from AT&T associated with the January 2001 DoCoMo transaction. Also attributing to the increase in total assets was an increase in property, plant and equipment as a result of capital expenditures made during 2001. The assets of the fixed wireless business were reflected as "Assets of discontinued operations" at both December 31, 2001 and 2000. The decrease in assets of discontinued operations was the result of the $1.1 billion pre-tax write-off of fixed wireless assets during the fourth quarter of 2001 resulting from our decision to exit the fixed wireless business.

Total liabilities were $14,731 million at December 31, 2001, an increase of $4,347 million, or 41.9%, compared with December 31, 2000. The increase was primarily attributable to the $6.5 billion Senior Notes offering which occurred in March 2001. Partially offsetting this increase were decreases in the short-term debt due to AT&T, which was repaid in January 2001, and the long-term debt due to AT&T, which was repaid in June 2001.

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Preferred stock held by AT&T of $3.0 billion at December 31, 2000, was redeemed during June 2001.

Mandatorily redeemable common stock totaling $7,664 million at the end of fourth quarter represented the fair value as of split-off date of the AT&T Wireless Services common shares held by DoCoMo. These shares are presented as mandatorily redeemable common stock due to certain redemption rights held by DoCoMo. Under certain circumstances, DoCoMo may require the repurchase of its investment at DoCoMo' s original purchase price, plus interest, if we fail to meet specified technological milestones.

Shareholders' equity was $19,281 million at December 31, 2001, a decrease of $2,596 million, or 11.9%, from December 31, 2000, primarily due to the reclassification of common shares held by DoCoMo to mandatorily redeemable common stock. Effective with the split-off in July 2001, our common shares outstanding totaled 2.53 billion, including 406 million shares held by DoCoMo. Additionally, our accumulated deficit increased during the fourth quarter as a result of the loss recorded on the discontinuation of the fixed wireless business.

Related Party Transactions

During 2001, we had business dealings, which were conducted in the ordinary course of business, with entities in which members of our board of directors have an interest. These transactions, including the items discussed below, did not have a material impact to our results of operations, financial position or cash flows.

Subsequent to our split-off from AT&T in July 2001, we appointed an individual to our board of directors who has a controlling interest in several entities to which we had previously committed to provide financing. The financing provided by us to these entities was in the form of non-controlling equity interests, as well as debt. Proceeds of these financings were used to acquire, from third parties, license spectrum that we are not eligible to own, as well as certain operating requirements of the entities. Our aggregate financing to these entities since January 1, 2001, totaled $642 million, including fundings which occurred during the first quarter of 2002.

Investments In and Advances To Unconsolidated Subsidiaries

We hold equity interests in various domestic and international ventures and partnerships. These ventures and partnerships operate primarily in the wireless telecommunications industry. We account for these investments primarily under the equity method of accounting. In accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," we periodically review our cost and equity method investments for impairment. These reviews are performed to determine whether declines in market values of our investments below their carrying values are deemed to be other than temporary. During the fourth quarter of 2001, we recorded $66 million of after-tax losses within net equity (losses) earnings from investments in unconsolidated subsidiaries related to market value declines of two international investments for which these declines were deemed to be other than temporary. We may record additional impairment losses in the future if additional declines occur which are deemed to be other than temporary.

The following discussion relates to significant transactions related to our investments in unconsolidated subsidiaries that occurred during the year ended December 31, 2001.

On February 8, 2001, we completed our purchase of $200 million in Series AA preferred stock from Dobson Communications Corporation (Dobson), which has a liquidation preference of $1,000 per share and is exchangeable into Series A convertible preferred stock. If the Series AA preferred stock is exchanged into Series A convertible preferred stock, we will increase our ownership interest in Dobson, on an as-converted-to-common-stock basis, from our current ownership of 4.7% to approximately 11.8%.

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On April 27, 2001, AT&T completed the sale of its interest in Japan Telecom for approximately $1.35 billion in cash. AT&T attributed $0.5 billion of the net after-tax proceeds from the sale to us. We recognized an after-tax gain of $298 million associated with the transaction, which was recorded in net equity (losses) earnings from investments in the second quarter of 2001.

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During the first quarter of 2001, we issued unsecured term notes to Rogers Wireless Communications, Inc. (Rogers Wireless) to pay for spectrum it successfully bid upon in the Canadian spectrum auctions. In April 2001, Rogers Wireless effected a rights offering of its equity securities in which our joint venture with British Telecommunications plc, JVII, participated. The participation increased JVII' s ownership interest in Rogers Wireless to 34.35%. We funded the purchase on behalf of JVII by offsetting it against the unsecured, interest-bearing notes made by us. This transaction resulted in our obtaining a controlling interest of JVII, as well as increasing our indirect ownership percentage in Rogers Wireless. On July 3, 2001, we acquired British Telecommunications' interest in JVII for approximately $380 million in cash. As a result of this acquisition, we now own 100% of JVII, and, through JVII, hold a 34.35% ownership interest in Rogers Wireless.

During 2001, we directly and through our interest in Birla AT&T Communications Ltd. completed two transactions that expanded our coverage area in the Indian states of Andhra Pradesh and Madhya Pradesh. These transactions were completed by the fourth quarter of 2001. As a result, we now own an approximate 33% interest in the newly merged entity, Birla Tata AT&T Ltd. In the third quarter of 2001, we and other venture partners executed an agreement to combine Birla Tata AT&T Ltd. with BPL Mobile Communications Ltd. and certain portions of BPL Cellular Ltd. We currently own a 49% interest in BPL Cellular Ltd. The agreement to combine these entities is subject to a number of conditions. If all conditions are satisfied and a combination occurs as contemplated in the agreement, we estimate that our ownership will be approximately 24% in the final combined entity.

Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations." This statement provides accounting and reporting standards for business combinations initiated subsequent to June 30, 2001. All business combinations in the scope of this statement are to be accounted for under one method, the purchase method. AT&T Wireless Services' adoption of this statement during 2001 did not have a material impact on AT&T Wireless Services' results of operations, financial position or cash flow.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." This statement provides accounting and reporting standards for intangible assets acquired individually, with a group of other assets, or as part of a business combination. This statement addresses how acquired goodwill and other intangible assets are recorded upon their acquisition as well as how they are to be accounted for after they have been initially recognized in the financial statements. Under this statement, goodwill, including excess net book value associated with equity method investments, and other intangible assets with indefinite useful lives, on a prospective basis, will no longer be amortized. AT&T Wireless Services believes licensing costs qualify as having indefinite useful lives and therefore will cease amortization of licensing costs on a "prospective basis. AT&T Wireless Services recognized pre-tax amortization of goodwill, licensing costs and amortization of excess net book value associated with equity method investments of $135 million, $378 million and $65 million, respectively, for the year ended December 31, 2001. AT&T Wireless Services anticipates that the amounts that would have been recorded for the year ended December 31, 2002, would not be materially different than the amounts recorded during 2001. Goodwill and other indefinite-lived assets will be tested for impairment at least annually, based on a fair value comparison. Intangible assets which have finite useful lives will continue to be amortized over their respective useful lives. This statement also requires expanded disclosure for goodwill and other intangible assets. AT&T Wireless Services is required to adopt this statement on January 1, 2002. Upon adoption of this statement, AT&T Wireless Services will be required to complete a transitional impairment test related to goodwill and other indefinite-lived intangible assets. Any resulting impairment loss will be recognized as a cumulative effect of a change in accounting principle. Based upon management' s current assessment, AT&T Wireless Services does not anticipate recording any material impairment charges associated with its consolidated goodwill and other indefinite-lived intangible assets upon adoption of this standard. Any resulting impairment charges recorded by AT&T Wireless Services' equity method investments upon adoption of this standard may have a material impact to AT&T Wireless Services' results of operations.

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In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement provides accounting and reporting standards for costs associated with the retirement of long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. AT&T Wireless Services will be required to adopt this statement no later than January 1, 2003. AT&T Wireless Services is currently assessing the impact of this statement on its results of operations, financial position and cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used and for measurement of long-lived assets to be disposed of by sale. This statement applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, "Reporting Results of Operations − Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of segments of a business. This statement requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. AT&T Wireless Services' adoption of this statement on January 1, 2002, did not have a material impact on AT&T Wireless Services' results of operations, financial position or cash flows.

Forward-Looking Statements

Our disclosure and analysis in this document may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our relationship with our former parent, AT&T Corp., following our separation from AT&T Corp. in July 2001, financial condition, results of operations, cash flows, financing plans, business strategies, operating efficiencies or synergies, capital and other expenditures, network build-out and upgrade, competitive positions, availability of capital, growth opportunities for existing products, our acquisition and growth strategy, benefits from new technologies, availability and deployment of new technologies, our decision to exit the fixed wireless business, our acquisition of TeleCorp PCS, Inc., plans and objectives of management, and other matters.

Statements in this document that are not historical facts are hereby identified as forward-looking statements. These forward-looking statements, including, without limitation, those relating to the future business prospects, revenues, working capital, liquidity, capital needs, network build-out, interest costs and income, in each case, relating to us, wherever they occur in this document, are necessarily estimates reflecting the best judgment of senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

the risks associated with the implementation of a third-generation network and business strategy, including risks relating to the operations of new systems and technologies, substantial required expenditures and potential unanticipated costs, the need to enter into roaming agreements with third parties, uncertainties regarding the adequacy of suppliers on whom we must rely to provide both network and consumer equipment and consumer acceptance of the products and services to be offered;

the potential impact of NTT DoCoMo' s investment in us, including provisions of the agreements that restrict our future operations, and provisions that may require the repurchase of NTT DoCoMo' s investment if we fail to meet specified conditions, under certain circumstances;

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the risks associated with operating as an independent entity as opposed to as part of an integrated telecommunications provider with AT&T Corp., our former parent, including the inability to rely on the financial and operational resources of the combined company and having to provide services that were previously provided by a different part of the combined company;

the impact of existing and new competitors in the markets in which we compete, including competitors that may offer less expensive products and services, more desirable or innovative products, technological substitutes, or have extensive resources or better financing;

the introduction or popularity of new products and services, including pre-paid phone products, which could increase churn;

the impact of oversupply of capacity resulting from excessive deployment of network capacity in the markets we serve;

the ongoing global and domestic trend towards consolidation in the telecommunications industry, which trend may have the effect of making our competitors larger and better financed and afford these competitors with extensive resources and greater geographic reach, allowing them to compete more effectively;

the effects of vigorous competition in the markets in which we operate and for more valuable customers, which may decrease prices charged, increase churn and change the customer mix, profitability and average revenue per user;

the ability to enter into agreements to provide, and the cost of entering new markets necessary to provide, nationwide services;

the ability to establish a significant market presence in new geographic and service markets;

the availability and cost of capital and the consequences of increased leverage;

the impact of any unusual items resulting from ongoing evaluations of our business strategies;

the requirements imposed on us or latitude allowed to competitors by the FCC or state regulatory commissions under the Telecommunications Act of 1996 or other applicable laws and regulations;

the risks and costs associated with the need to acquire additional spectrum for current and future services;

the risks associated with technological requirements, technology substitution and changes and other technological developments;

the risks and potential unanticipated costs associated with exiting the fixed wireless business;

the risks and uncertainties associated with the consummation of the TeleCorp PCS, Inc. acquisition and integration of TeleCorp PCS, Inc.' s business and operations;

the results of litigation filed or to be filed against us, or of some types of litigation filed or to be filed against AT&T Corp. for which we have agreed to assume liability under the split-off agreements between AT&T Corp. and us;

the possibility of one or more of the markets in which we compete being affected by changes in political, economic or other factors, such as monetary policy, legal and regulatory changes or other external factors over which we have no control.

The words estimate, project, intend, expect, believe, plan and similar expressions are intended to identify forward-looking statements. These forward-looking statements are found at various places throughout this document. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Moreover, in the future, we may make forward-looking statements about the matters described in this document or other matters concerning us.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information relating to market risk is included in "Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Quantitative and Qualitative Information About Market Risk."

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Item 8. ***Financial Statements and Supplementary Data***

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REPORT OF MANAGEMENT

Management is responsible for the preparation of AT&T Wireless Services' consolidated financial statements and all related information appearing in this annual report. The consolidated financial statements and notes have been prepared in conformity with accounting principles generally accepted in the United States of America and include certain amounts that are estimates based on currently available information and management' s judgement of current conditions and circumstances.

To provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and other controls, including an internal audit function. Even an effective internal control system, no matter how well designed, has inherent limitations-including the possibility of circumvention or overriding of controls-and therefore can provide only reasonable assurance with respect to the financial statement presentation. The system of accounting and other controls is improved and modified in response to changes in business conditions and operations and recommendations made by the independent accountants and the internal auditors.

The Audit Committee of the Board of Directors, which is composed of directors who are not employees, meets periodically with management, the internal auditors and the independent accountants to review the manner in which these groups are performing their responsibilities and to carry out the Audit Committee' s oversight role with respect to auditing, internal controls and financial reporting matters. Both the internal auditors and the independent accountants periodically meet privately with the Audit Committee and have access to its individual members.

AT&T Wireless Services engaged PricewaterhouseCoopers LLP, Independent Accountants, to audit the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America, which include consideration of the internal control structure. Their report follows.

/s/ JOHN D. ZEGLIS

John D. Zeglis
Chairman of the Board,
Chief Executive Officer

/s/ JOSEPH MCCABE JR.

Joseph McCabe Jr.
Executive Vice President,
Chief Financial Officer

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders

of AT&T Wireless Services, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of AT&T Wireless Services, Inc. and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PRICEWATERHOUSECOOPERS LLP

Seattle, Washington

January 29, 2002, except for Note 20, as to
which the date is March 7, 2002

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AT&T WIRELESS SERVICES, INC.

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

	For the Years Ended December 31,		
	2001	2000	1999
REVENUE			
Services	$ 12,532	$ 9,374	$ 6,823
Equipment	1,078	1,072	804
Total revenue	13,610	10,446	7,627
OPERATING EXPENSES			
Costs of services (excluding depreciation of $1,505, $1,029 and $728 included below)	3,991	3,017	2,530
Costs of equipment sales	2,037	2,041	1,266
Selling, general and administrative	4,482	3,512	2,641
Depreciation and amortization	2,502	1,639	1,231
Asset impairment and restructuring charges	–	–	528
Total operating expenses	13,012	10,209	8,196
OPERATING INCOME (LOSS)	598	237	(569)
Other income	374	534	122
Interest expense	386	85	136
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND NET EQUITY (LOSSES) EARNINGS FROM INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES	586	686	(583)
Provision (benefit) for income taxes	311	246	(257)
Net equity (losses) earnings from investments in unconsolidated subsidiaries, net of tax	(75)	388	(19)
INCOME (LOSS) FROM CONTINUING OPERATIONS	200	828	(345)
Loss from operations of discontinued business (net of tax benefits of $(169), $(105) and $(37))	(273)	(170)	(60)
Loss on disposal of discontinued business (net of tax benefit of $(504))	(814)	–	–
LOSS FROM DISCONTINUED OPERATIONS	(1,087)	(170)	(60)
NET (LOSS) INCOME	(887)	658	(405)
Dividend requirements on preferred stock held by AT&T, net	76	130	56

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NET (LOSS) INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ (963)	$ 528	$ (461)
(LOSS) INCOME PER BASIC AND DILUTED SHARE:			
Income (loss) from continuing operations available to common shareholders	$ 0.05	$ 0.28	$ (0.16)
Loss from discontinued operations	$ (0.43)	$ (0.07)	$ (0.02)
Net (loss) income available to common shareholders	$ (0.38)	$ 0.21	$ (0.18)
WEIGHTED AVERAGE SHARES USED TO COMPUTE INCOME (LOSS) PER SHARE:			
Basic	2,530	2,530	2,530
Diluted	2,532	2,532	2,530

The accompanying notes are an integral part of these consolidated financial statements.

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AT&T WIRELESS SERVICES, INC.

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

	At December 31,	
	2001	2000
ASSETS		
Cash and cash equivalents	$ 3,352	$ 62
Accounts receivable, less allowances of $239 and $193.	2,026	1,865
Inventories	307	335
Income tax receivable	210	118
Deferred income taxes	222	93
Prepaid expenses and other current assets	180	81
TOTAL CURRENT ASSETS	6,297	2,554
Property, plant and equipment, net	12,496	9,231
Licensing costs, net of accumulated amortization of $2,134 and $1,758	13,100	13,403
Investments in and advances to unconsolidated subsidiaries	3,672	3,385
Goodwill, net of accumulated amortization of $376 and $241.	4,712	4,644
Other assets, net of accumulated amortization of $493 and $263.	1,357	1,096
Assets of discontinued operations	88	989
TOTAL ASSETS	$ 41,722	$ 35,302
LIABILITIES		
Accounts payable	$ 1,035	$ 1,080
Payroll and benefit-related liabilities	409	432
Advertising and promotion accruals	184	179
Business tax accruals	280	258
Interest payable on long-term debt due to others	175	–
Accrued disposal costs for discontinued operations	228	–
Due on demand notes payable	88	109
Short-term debt due to AT&T	–	638
Other current liabilities	1,033	958
TOTAL CURRENT LIABILITIES	3,432	3,654
Long-term debt due to AT&T	–	1,800
Long-term debt due to others	6,617	–
Deferred income taxes	4,352	4,659
Other long-term liabilities	330	271
TOTAL LIABILITIES	14,731	10,384

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COMMITMENTS AND CONTINGENCIES (NOTES 16 AND 17)		
MINORITY INTEREST	46	41
PREFERRED STOCK HELD BY AT&T	–	3,000
MANDATORILY REDEEMABLE COMMON STOCK, $0.01 par value, 406 shares issued and outstanding	7,664	–
SHAREHOLDERS' EQUITY		
Common stock, $0.01 par value, 10,000 shares authorized, 2,125 shares issued and outstanding	21	–
Additional paid-in capital	20,515	–
Accumulated deficit	(1,150)	–
Shareholders' net investment	–	21,885
Accumulated other comprehensive loss	(105)	(8)
TOTAL SHAREHOLDERS' EQUITY	19,281	21,877
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 41,722	$ 35,302

The accompanying notes are an integral part of these consolidated financial statements.

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AT&T WIRELESS SERVICES, INC.

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In millions)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Shareholders' Net Investment	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
Balance at December 31, 1998	$ –	$ –	$ –	$ 10,535	$ (3)	$ 10,532
Net loss available to common shareholders				(461)		(461)
Transfers from AT&T				2,897		2,897
Other comprehensive income					29	29
Balance at December 31, 1999	$ –	$ –	$ –	$ 12,971	$ 26	$ 12,997
Net income available to common shareholders				528		528
Proceeds attributed from AT&T Wireless Group tracking stock offering				7,000		7,000
Proceeds from AT&T Wireless Group tracking stock shares issued for employee plans				41		41
Transfers from AT&T				1,345		1,345
Other comprehensive loss					(34)	(34)
Balance at December 31, 2000	$ –	$ –	$ –	$ 21,885	$ (8)	$ 21,877
Net (loss) income available to common shareholders			(1,150)	187		(963)
Proceeds attributed from DoCoMo investment, net of costs				6,139		6,139
Proceeds from AT&T Wireless Group tracking stock issued for employee plans				54		54
Recapitalization effective with AT&T Wireless Services split-off	21	20,413		(20,457)		(23)
Reclassification of mandatorily redeemable common stock and warrants held by DoCoMo				(7,824)		(7,824)

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Proceeds from AT&T Wireless Services common stock issued for employee plans		14				14
Reclassification of common stock warrants held by DoCoMo		88				88
Transfers from AT&T				16		16
Other comprehensive loss					(97)	(97)
Balance at December 31, 2001	$ 21	$ 20,515	$ (1,150)	$ –	$ (105)	$ 19,281

	For the Years Ended December 31,		
	2001	**2000**	**1999**
SUMMARY OF TOTAL COMPREHENSIVE (LOSS) INCOME:			
Net (loss) income	$ (887)	$ 658	$ (405)
Net revaluation of investments (net of taxes of $(7), $(22) and $18)	(12)	(34)	29
Net revaluation of financial instruments (net of taxes of $(38))	(70)	–	–
Net foreign currency translation adjustments (net of taxes of $(10))	(15)	–	–
TOTAL COMPREHENSIVE (LOSS) INCOME	$ (984)	$ 624	$ (376)

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AT&T WIRELESS SERVICES, INC.

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	For the Years Ended December 31,		
	2001	2000	1999
OPERATING ACTIVITIES			
Net (loss) income	$ (887)	$ 658	$ (405)
Deduct: Loss from discontinued operations	(1,087)	(170)	(60)
Income (loss) from continuing operations	200	828	(345)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities of continuing operations:			
Net gains on sale/exchange of businesses and investments in unconsolidated subsidiaries	–	(362)	(99)
Net revaluation of securities	(73)	–	–
Asset impairment and restructuring charges	–	–	528
Depreciation and amortization	2,502	1,639	1,231
Deferred income taxes	285	585	(85)
Net equity earnings from investments in unconsolidated subsidiaries	(42)	(505)	(149)
Minority interests in consolidated subsidiaries	(24)	(28)	(17)
Provision for uncollectible receivables	573	314	200
Increase in accounts receivable	(739)	(826)	(514)
Decrease (increase) in inventories	19	(142)	38
Increase (decrease) in accounts payable	25	(48)	(11)
Net change in other operating assets and liabilities	8	331	136
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	2,734	1,786	913
INVESTING ACTIVITIES			
Capital expenditures and other additions	(5,205)	(3,601)	(2,135)
Net acquisitions of licenses	(23)	(63)	(47)
Distributions and sales of unconsolidated subsidiaries	882	360	236
Contributions, advances and purchases of unconsolidated subsidiaries	(1,284)	(1,645)	(284)
Net (acquisitions) dispositions of businesses including cash acquired	(3)	(4,763)	244
Issuance of long-term note receivable from unconsolidated subsidiary	(210)	–	–
Deposits on long-lived assets	(67)	(215)	–

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NET CASH USED IN INVESTING ACTIVITIES OF CONTINUING OPERATIONS	(5,910)	(9,927)	(1,986)
FINANCING ACTIVITIES			
Increase in short-term borrowings	–	–	65
Net (decrease) increase in debt due to AT&T	(2,438)	1,038	900
Proceeds from issuance of long-term debt to others, net of issuance costs	6,345	–	–
Redemption of preferred stock held by AT&T	(3,000)	–	–
Proceeds attributed from DoCoMo investment, net of costs	6,139	–	–
Proceeds attributed from AT&T Wireless Group tracking stock offering	–	7,000	–
Proceeds from AT&T Wireless Group tracking stock and AT&T Wireless Services common stock issued for employee plans	68	41	–
Dividend requirements on preferred stock, net	(76)	(130)	(56)
Transfers from AT&T	–	1,001	344
Other financing activities, net	(4)	(3)	(19)
NET CASH PROVIDED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS	7,034	8,947	1,234
NET CASH USED IN DISCONTINUED OPERATIONS	(568)	(749)	(183)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,290	57	(22)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	62	5	27
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,352	$ 62	$ 5

The accompanying notes are an integral part of these consolidated financial statements.

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AT&T WIRELESS SERVICES, INC.

AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, unless otherwise noted)

1. Background and Basis of Presentation

AT&T Wireless Services is a wireless telecommunications company which presently operates in a single business segment as a provider of primarily domestic wireless voice and data services and products in the 850 megahertz (cellular) and 1900 megahertz (personal communications services, or PCS) markets. AT&T Wireless Services also holds equity interests in various domestic and international wireless communications ventures and partnerships.

Background

On October 25, 2000, AT&T Corp. (AT&T) announced a restructuring plan, stating its intention to create a separate company for its wireless services businesses, named AT&T Wireless Services, Inc., termed "the split-off." AT&T Wireless Services includes substantially the same assets and liabilities that were represented by AT&T Wireless Group tracking stock, which AT&T created on April 27, 2000. In conjunction with the offering of AT&T Wireless Group tracking stock in April 2000, 15.6%, or 360 million shares, of AT&T Wireless Group tracking stock were sold at an offering price of $29.50 per share. AT&T Wireless Group tracking stock was a class of AT&T common stock which was intended to provide holders with financial returns based on the financial performance and economic value of AT&T' s wireless services businesses.

During May 2001, AT&T completed an exchange offer which allowed AT&T common shareholders to exchange shares of AT&T common stock for shares of AT&T Wireless Group tracking stock. Approximately 372.2 million shares of AT&T common stock were tendered in exchange for approximately 437.7 million shares of AT&T Wireless Group tracking stock, at an exchange ratio of 1.176 shares of AT&T Wireless Group tracking stock for each validly tendered share of AT&T common stock.

On July 9, 2001, AT&T converted all shares of AT&T Wireless Group tracking stock into shares of AT&T Wireless Services common stock on a one-for-one basis. In addition, AT&T completed a distribution of approximately 1.136 billion shares of AT&T Wireless Services common stock to AT&T shareholders in the form of a stock dividend. These transactions effected the split-off of AT&T Wireless Services from AT&T, and resulted in AT&T Wireless Services becoming an independent, publicly traded company.

AT&T Wireless Services was incorporated in Delaware on July 7, 1987. Prior to the split-off, AT&T Wireless Services was a 100% owned direct subsidiary of AT&T. AT&T Wireless Services had authorized 500 shares of $0.01 par value common stock, of which 100 shares were outstanding and held by AT&T prior to the split-off. These shares have not been assumed to be outstanding for purposes of the historical financial statements presented, due to the recapitalization which was effected with the split-off. Effective with the split-off, AT&T Wireless Services had 2,530 million common shares issued and outstanding.

Basis of Presentation Effective with the Split-off

The consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, include all adjustments necessary for a fair statement of the consolidated results of operations, financial position and cash flows for each period presented. The consolidated financial statements reflect the results of operations, financial position, changes in shareholders' equity and cash flows of AT&T Wireless Services as if it were a separate entity for all periods presented and are in conformity with accounting principles generally accepted in the United States of America.

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The consolidated financial statements reflect the assets, liabilities, revenue and expenses directly attributable to AT&T Wireless Services. The assets and liabilities included represent the assets and liabilities

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which have been transferred to AT&T Wireless Services in accordance with the separation and distribution agreement between AT&T and AT&T Wireless Services. Prior to the split-off on July 9, 2001, substantially all of the assets and liabilities represented by AT&T Wireless Group were transferred to AT&T Wireless Services. AT&T Wireless Services has treated these transfers in a manner similar to a pooling of interests and has assumed these transfers were completed in historical periods by the legal entity AT&T Wireless Services.

Basis of Presentation Prior to the Split-off

The April 2000 offering of AT&T Wireless Group tracking stock resulted in net proceeds to AT&T, after deducting underwriters' discount and related fees and expenses, of $10.3 billion. AT&T attributed $7.0 billion of the net proceeds to AT&T Wireless Services, in the form of a note receivable, which was repaid by December 31, 2000, primarily to fund acquisitions and capital expenditures. Interest on the note receivable was calculated based upon the average daily balance outstanding at a rate equal to the one-month London InterBank Offered Rate (LIBOR) minus six basis points, a rate intended to be equivalent to the rate AT&T Wireless Services would have received had it been a stand-alone entity.

Prior to the offering of the AT&T Wireless Group tracking stock, the capital structure of AT&T Wireless Services had been assumed based upon AT&T' s historical capital ratio adjusted for certain items. In determining the allocation between short- and long-term debt and preferred stock, AT&T considered factors such as prospective financing requirements for the business, working capital commitments and future requirements, and peer group analysis. This resulted in $3.4 billion in long-term debt due to AT&T at December 31, 1999, paying annual interest at 7.25%. In addition, as of December 31, 1999, AT&T Wireless Services had issued and outstanding, $1.0 billion of 9% cumulative preferred stock held by AT&T that, subject to the approval of AT&T Wireless Group capital stock committee, was redeemable at the option of AT&T. On May 1, 2000, following the offering of AT&T Wireless Group tracking stock, $2.0 billion of AT&T Wireless Services' outstanding long-term debt due to AT&T was recapitalized into an additional $2.0 billion of 9% cumulative preferred stock issued to AT&T. In conjunction with the recapitalization, the remaining long-term debt due to AT&T of $1.8 billion was recapitalized to be 10-year term debt that bore interest at a fixed rate of 8.1% per annum. The interest rate was intended to be substantially equivalent to the interest rate that AT&T Wireless Services would have been able to obtain from third parties, including the public markets, as a non-affiliate of AT&T without the benefit of any guaranty by AT&T. The intercompany debt and preferred stock was repaid to AT&T in June 2001.

During December 2000, AT&T Wireless Services obtained a short-term revolving loan from AT&T, which is included in "Short-term debt due to AT&T" in the accompanying consolidated balance sheets. At December 31, 2000, the amount outstanding under the loan was $638, paying interest monthly at the average seven-day commercial paper rate, which was 8.37% at December 31, 2000. The revolving loan had a maturity date of December 29, 2001. The loan was repaid in full in January 2001.

Changes in shareholders' net investment prior to the offering of AT&T Wireless Group tracking stock represented net transfers to or from AT&T, after giving effect to the net income or loss of AT&T Wireless Services during the period, and were assumed to be settled in cash. AT&T' s capital contributions for purchase business combinations and initial investments in joint ventures and partnerships which AT&T attributed to AT&T Wireless Services have been treated as non-cash transactions prior to the offering. Changes in shareholders' net investment subsequent to the offering of AT&T Wireless Group tracking stock represented AT&T Wireless Group tracking stock offering proceeds attributed to AT&T Wireless Services from AT&T, proceeds from additional AT&T Wireless Group tracking stock share issuances, and the net income or loss for the period subsequent to the offering. AT&T Wireless Services began accumulating its retained earnings effective with the split-off.

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Prior to the split-off, AT&T performed cash management functions on behalf of AT&T Wireless Services. Substantially all of AT&T Wireless Services' cash balances were swept to AT&T on a daily basis, where they were managed and invested by AT&T. Prior to the offering of the AT&T Wireless Group tracking stock, transfers of cash to and from AT&T were reflected as a component of shareholders' net investment, with no interest income or expense reflected. Subsequent to the offering, transfers were reflected as changes in the note receivable from, or short-term debt payable to, AT&T. Cash balances maintained and reported by AT&T Wireless Services prior to the split-off primarily represented cash balances for which no right of offset existed with AT&T. Subsequent to the split-off, AT&T Wireless Services has been responsible for its own cash management functions.

General corporate overhead related to AT&T's corporate headquarters and common support divisions has been allocated to AT&T Wireless Services for periods prior to the split-off as it was not deemed practicable to specifically identify such common costs to AT&T Wireless Services. These allocations were based on the ratio of AT&T Wireless Services' external costs and expenses to AT&T's consolidated external costs and expenses, adjusted for any functions that AT&T Wireless Services performed on its own. However, the costs of these services charged to AT&T Wireless Services are not necessarily indicative of the costs that would have been incurred if AT&T Wireless Services had performed these functions entirely as a standalone entity. Subsequent to the split-off, AT&T Wireless Services has performed these functions using its own resources or purchased services.

Consolidated income tax provision or benefit, related tax payments or refunds, and deferred tax balances of AT&T have been allocated to AT&T Wireless Services for periods prior to the split-off based principally on the taxable income and tax credits directly attributable to AT&T Wireless Services. These allocations reflect AT&T Wireless Services' contribution to AT&T's consolidated taxable income and the consolidated tax liability and tax credit position. Subsequent to the offering of AT&T Wireless Group tracking stock, the AT&T Common Stock Group and AT&T Wireless Group entered into a tax-sharing agreement that provided for tax-sharing payments based on the taxes or tax benefits of a hypothetical affiliated group consisting of AT&T Common Stock Group and AT&T Wireless Group. Based on this agreement, the consolidated tax liability before credits was allocated between the groups, based on each group's contribution to consolidated taxable income of the hypothetical group. For purposes of the tax sharing agreement, the 9% cumulative preferred stock held by AT&T was treated as if it were an intercompany debt instrument and, accordingly, tax-sharing payments were calculated by treating coupon payments on the preferred stock as interest expense to AT&T Wireless Services and interest income to AT&T Common Stock Group. Consolidated tax credits of the hypothetical group have been allocated between groups based on each group's contribution to each tax credit. In conjunction with the split-off, AT&T Wireless Services became a separate taxable entity.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include all majority-owned and controlled subsidiaries. Investments in majority-owned subsidiaries where control does not exist, and investments in which we exercise significant influence but do not control, are accounted for under the equity method. Investments in which we have no significant influence are accounted for under the cost method. All significant intercompany accounts and transactions have been eliminated.

Cash Equivalents

All highly liquid investments with original maturities of generally three months or less are considered to be cash equivalents.

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Financial Instruments

In June 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" as an amendment to SFAS No. 133. This statement provided clarification with regard to certain implementation issues under SFAS No. 133 on specific types of hedges. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income (loss) and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are immediately recognized in earnings. AT&T Wireless Services adopted SFAS No. 133 in January 2001.

AT&T Wireless Services' financial instruments at December 31, 2001, included interest rate swaps. AT&T Wireless Services enters into interest rate swap agreements to manage its exposure to changes in interest rates, to lower its overall costs of financing and to manage the mix of floating- and fixed-rate debt in its portfolio. The interest rate swap agreements designated as fair value hedges effectively convert AT&T Wireless Services' fixed-rate debt to a floating rate by receiving fixed-rate amounts in exchange for floating-rate interest payments over the life of the agreement without an exchange of the underlying principal amount. Interest rate differentials associated with interest rate swaps used to hedge AT&T Wireless Services' debt obligations are recorded as an adjustment to interest payable, with the offset to interest expense over the life of the swaps. If AT&T Wireless Services terminates an interest rate swap agreement, the gain or loss is deferred and amortized over the remaining life of the liability. Cash flows from financial instruments are classified in the consolidated statements of cash flows under the same categories as the cash flows from the related assets, liabilities or anticipated transactions. Hedge ineffectiveness, determined in accordance with SFAS No. 133, had no impact on AT&T Wireless Services' results of operations for the year ended December 31, 2001. No fair value hedges or cash flow hedges were derecognized or discontinued for the year ended December 31, 2001.

Additionally, prior to December 2001, NTT DoCoMo (see Note 4) held common stock warrants in AT&T Wireless Services that could be settled in cash at NTT DoCoMo' s option. The fair value of the warrants at the split-off date were recorded as "Other long-term liabilities" on the balance sheet of AT&T Wireless Services and subsequent changes in the fair value of the warrants were recognized in AT&T Wireless Services' results of operations. For the year ended December 31, 2001, other income included $73 related to the fair value adjustments of these warrants.

Inventories

Inventories, which consist principally of handsets and accessories, are recorded at the lower of cost or market. Cost is principally determined by the first-in, first-out (FIFO) method. Market is determined using replacement cost.

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Property, Plant and Equipment

Property, plant and equipment are recorded at cost, unless impaired, and depreciation is determined based upon the assets' estimated useful lives. Depreciation is calculated on a straight-line basis according to the following useful lives:

Wireless communications systems and other equipment	3-15 years
Building and improvements	5-20 years

When AT&T Wireless Services sells, disposes or retires assets, the related gains or losses are included in operating results.

Effective January 1, 2001, AT&T Wireless Services implemented the results of a review of the estimated service lives of certain wireless communications equipment, primarily electronics. Lives were shortened to fully depreciate all such equipment within seven years. Similar equipment acquired after January 1, 2001, have useful lives no longer than seven years. The impact of this change for the year ended December 31, 2001, was an increase in depreciation expense of approximately $136, an increase to net loss available to common shareholders of approximately $84 and an increase to net loss available to common shareholders per basic and diluted share of approximately $0.03.

Software Capitalization

AT&T Wireless Services capitalizes certain direct development costs associated with internal-use software, including external direct costs of materials and services, and payroll costs for employees devoting time to the software projects. These costs are included within "Other assets" and are amortized over a period not to exceed three years beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred. AT&T Wireless Services also capitalizes initial operating-system software costs and amortizes them over the life of the associated hardware.

Licensing Costs

Licensing costs are primarily incurred to acquire cellular and PCS licenses. In addition, licensing costs include costs incurred to acquire WCS (2.3 gigahertz) licenses. Amortization begins with the commencement of service to customers and is computed using the straight-line method over periods from 25 to 40 years.

As a result of AT&T Wireless Services' evaluation of recent changes in the wireless telecommunications industry and the views of regulatory authorities, AT&T Wireless Services, effective January 1, 2001, began using an amortization period of 25 years for all licensing costs and goodwill associated with newly acquired wireless operations. This change did not have a material impact on AT&T Wireless Services' results of operations for the year ended December 31, 2001. See Note 19 for further details associated with changes in accounting and reporting for intangible assets effective January 1, 2002.

Capitalized Interest

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AT&T Wireless Services capitalizes interest which is applicable to the construction of additions to property, plant and equipment and the acquisitions of licenses until the assets are placed into service. These costs are amortized over the related assets' estimated useful lives.

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Investments In and Advances To Unconsolidated Subsidiaries

Investments in which AT&T Wireless Services exercises significant influence but which AT&T Wireless Services does not control are accounted for under the equity method. Under the equity method, investments are stated at initial cost and are adjusted for AT&T Wireless Services' subsequent contributions and its share of earnings or losses, and distributions. The excess of the carrying value of the investment over the underlying book value of the investee' s net assets is being amortized over periods ranging from 20 to 40 years. See Note 19 for further details associated with changes in accounting and reporting for intangible assets effective January 1, 2002. Investments in which AT&T Wireless Services has no significant influence over the investee are accounted for under the cost method.

Investments in marketable securities which are covered under the scope of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," are classified as "available-for-sale" and are carried at fair value. Unrealized gains or losses are included within other comprehensive income (loss), net of tax.

Foreign Currency

Results of operations for our international investments in unconsolidated subsidiaries are translated from the designated functional currency to the U.S. dollar using average exchange rates during the period, while assets and liabilities of the international investments are translated at the exchange rate in effect at the reporting date. Resulting gains or losses from translating foreign currency financial statements are included within other comprehensive income (loss), net of tax.

Goodwill

Goodwill is the excess of the purchase price over the fair value of net identifiable assets acquired in business combinations accounted for as a purchase. Goodwill is amortized on a straight-line basis over periods not exceeding 40 years. See Note 19 for further details associated with changes in accounting and reporting for goodwill effective January 1, 2002.

Other Acquisition-Related Intangible Assets

Other acquisition-related intangible assets, primarily the value assigned to the customers acquired, are included in "Other assets" and are amortized on a straight-line basis over periods not exceeding five years. See Note 19 for further details associated with changes in accounting and reporting for intangible assets effective January 1, 2002.

Valuation of Long-Lived Assets

Long-lived assets such as property, plant and equipment, licensing costs, goodwill, investments and capitalized software are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. It is reasonably possible that these assets could become impaired as a result of technological or other industry changes. For assets AT&T Wireless Services intends to hold for use, if the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for

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the difference between the fair value and carrying value of the asset. For assets AT&T Wireless Services intends to dispose of, a loss is recognized for the amount that the estimated fair value, less costs to sell, is less than the carrying value of the assets. Investments in unconsolidated subsidiaries are reviewed for impairment in accordance with Accounting Principles Board (APB) Opinion No. 18, “The Equity Method of Accounting for Investments in Common Stock.” In addition, in accordance with APB Opinion No. 17, “Intangible Assets,” AT&T Wireless Services continues to evaluate the amortization periods

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of its intangible assets to determine whether events or circumstances warrant revised amortization periods. AT&T Wireless Services periodically evaluates the useful lives of its wireless communications systems and other equipment based on changes in technological and industry conditions. See Note 19 for further details associated with changes in accounting and reporting for impairments of long-lived assets effective January 1, 2002.

Revenue Recognition

Wireless services revenue primarily includes monthly recurring charges, airtime and toll usage charges, and roaming charges billed to both AT&T Wireless Services customers, as well as other wireless services providers. Wireless services revenue is recognized based upon minutes of use processed and contracted fees, net of credits and adjustments for service discounts. Amounts collected for services billed in advance of the service period are recorded as unearned revenue and are recognized when earned. Customer activation fees, along with the related costs up to but not exceeding these fees, are deferred and amortized over the estimated customer relationship period, which is currently estimated to be three years. The revenue and related expenses associated with the sale of wireless handsets and accessories are recognized when the products are delivered and accepted by the customer or distributor, as this is considered to be a separate earnings process from the sale of wireless services. During 2000, AT&T Wireless Services adopted Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." The adoption did not have a material impact on AT&T Wireless Services' results of operations or financial condition.

Advertising and Promotional Costs

Costs of advertising and promotions are expensed as incurred. Advertising and promotional expenses were $888, $608, and $386, in 2001, 2000 and 1999, respectively.

Income Taxes

AT&T Wireless Services recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities, applying enacted statutory rates in effect for the year in which the differences are expected to reverse. AT&T Wireless Services provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Stock-Based Compensation Expense

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," AT&T Wireless Services measures compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." AT&T Wireless Services has adopted the disclosure-only provisions of SFAS No. 123 (see Note 12).

Issuance of Common Stock by Affiliates

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Changes in our proportionate share of the underlying equity of a subsidiary or equity method investee, which result from the issuance of additional equity securities by such entity, are recognized as increases or decreases in additional paid-in capital within the consolidated statements of shareholders' equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

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amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as unbilled revenues, allowance for doubtful accounts, sales and marketing programs and incentives, employee compensation programs, depreciation and amortization periods, taxes, inventory values, and valuation of investments and intangible assets.

Concentrations

AT&T Wireless Services purchases a substantial portion of its wireless infrastructure equipment from four major suppliers. Additionally, four primary vendors provide AT&T Wireless Services' multi-network handsets. Further, AT&T Wireless Services relies on one vendor to provide substantially all of its billing services. Loss of any of these suppliers could adversely affect operations temporarily until a comparable substitute could be found. AT&T Wireless Services does not have a concentration of available sources of labor or services, nor does AT&T Wireless Services have any significant concentration of business transacted with a particular customer, that could, if suddenly eliminated, severely affect operations.

Reclassifications and Restatements

Certain reclassifications have been made to prior year amounts to conform with current year presentations. In addition, prior year periods have been restated to reflect the results of the fixed wireless business as discontinued operations (see Note 3).

3. Discontinued Operations

In December 2001, AT&T Wireless Services finalized plans and received approval from its board of directors to exit the fixed wireless business. This decision resulted in a pre-tax charge during the fourth quarter of $1.3 billion, reflecting a write-down of the assets and the impact of phased exit charges. AT&T Wireless Services anticipates that disposal of the fixed wireless business will be completed by mid-2002.

In accordance with APB Opinion No. 30, "Reporting the Results of Operations − Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," the consolidated financial statements of AT&T Wireless Services have been restated to reflect the fixed wireless business as discontinued operations. Accordingly, the revenue, costs and expenses, assets and cash flows of the fixed wireless business have been excluded from the respective captions in the Consolidated Statements of Operations, Consolidated Balance Sheets and Consolidated Statements of Cash Flows and have been reported as "Loss from discontinued operations," net of applicable taxes; as "Assets of discontinued operations"; and as "Net cash used in discontinued operations" for all periods presented.

Revenue for discontinued operations was $19, $2 and $0 for 2001, 2000 and 1999, respectively. Assets of discontinued operations were $88 and $989 as of December 31, 2001 and 2000, respectively. Total assets as of December 31, 2001, were primarily composed of licensing costs and property, plant and equipment. Total assets as of December 31, 2000, were primarily composed of property, plant and equipment, licensing costs, goodwill, accounts receivable and other non-current assets. The liabilities of the fixed wireless business were not reflected within discontinued operations as these liabilities have not been assumed by third parties. The loss on disposal of discontinued business

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included $74 for estimated pre-tax losses during the phase-out period. See Note 20 for subsequent event associated with the disposal of the fixed wireless business.

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4. NTT DoCoMo Investment

In January 2001, NTT DoCoMo, Inc. (DoCoMo), a leading Japanese wireless communications company, invested $9.8 billion in a security of AT&T that, like AT&T Wireless Group tracking stock, was intended to reflect a portion of the financial performance and economic value of AT&T Wireless Group. AT&T Wireless Services was allocated $6.2 billion of the gross proceeds from AT&T. Additionally, AT&T Wireless Services was allocated $20 of costs associated with the transaction. AT&T retained the remaining $3.6 billion of the DoCoMo investment proceeds as consideration for the reduction in AT&T' s retained portion of AT&T Wireless Services' value. In conjunction with the split-off, DoCoMo' s investment was converted into 406 million shares, or approximately 16%, of AT&T Wireless Services' common stock. These shares were recorded at their fair value as of the date of the split-off due to redemption rights held by DoCoMo and are reflected as "Mandatorily redeemable common stock" on the accompanying consolidated balance sheet as of December 31, 2001. The redemption value of these shares as of December 31, 2001 was approximately $10.1 billion. As part of its January 2001 investment, DoCoMo also received warrants with an exercise price of $35 per AT&T Wireless Group tracking share equivalent, which, in conjunction with the split-off, were converted into warrants to purchase AT&T Wireless Services common stock at $35 per share. Prior to an amendment to the warrant terms in December 2001, these warrants were considered to be derivative financial instruments and were adjusted to their fair value through AT&T Wireless Services' results of operations. In December 2001, the terms of the warrants were amended which resulted in the fair value of the warrants as of the amendment date to be reclassified on AT&T Wireless Services' consolidated balance sheet from "Other long-term liabilities" to "Additional paid-in capital." Additionally, this amendment eliminated future fair value adjustments. See Note 16 for further discussion of redemption rights held by DoCoMo.

On December 21, 2001, DoCoMo notified AT&T Wireless Services that it was exercising its preemptive rights with respect to AT&T Wireless Services common stock, which AT&T Wireless Services issued in connection with its acquisition of TeleCorp PCS, Inc. (see Note 7). DoCoMo notified AT&T Wireless Services that it was exercising its preemptive rights to acquire the maximum number of shares to which it would be entitled pursuant to the Investor Agreement between AT&T Wireless Services and DoCoMo. AT&T Wireless Services issued 26.7 million shares to DoCoMo in February 2002, in conjunction with the closing of the TeleCorp PCS, Inc. acquisition.

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5. Supplementary Financial Information

Supplementary Statement of Operations Information

	For the Years Ended December 31,		
	2001	2000	1999
DEPRECIATION AND AMORTIZATION			
Depreciation	$ 1,760	$ 1,245	$ 941
Amortization of licensing costs	378	274	231
Amortization of goodwill	135	73	50
Amortization of internal use software and other intangible assets	229	47	9
Total Depreciation and Amortization	$ 2,502	$ 1,639	$ 1,231
OTHER INCOME			
Interest income	$ 278	$ 146	$ 4
Minority interests in consolidated subsidiaries	24	28	17
Net gains on sale/exchange of businesses and investments in unconsolidated subsidiaries	−	362	99
Net revaluation of securities	73	−	−
Miscellaneous, net	(1)	(2)	2
Total Other Income	$ 374	$ 534	$ 122
DEDUCTED FROM INTEREST EXPENSE			
Capitalized Interest	$ 141	$ 123	$ 88

Supplementary Balance Sheet Information

	At December 31,	
	2001	2000
PROPERTY, PLANT AND EQUIPMENT, NET		
Wireless communications systems and other equipment	$ 17,105	$ 13,571
Land, buildings and improvements	622	314
Total property, plant and equipment	17,727	13,885
Accumulated depreciation	(5,231)	(4,654)
Property, plant and equipment, net	$ 12,496	$ 9,231

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Supplementary Cash Flow Information

	For the Years Ended December 31,		
	2001	2000	1999
Interest payments, net of amounts capitalized	$ 202	$ 85	$ 136
Income tax payments (refunds)	130	(202)	(41)
Reclassification of mandatorily redeemable common stock and warrants held by DoCoMo effective with the split-off	7,824	−	−
Reclassification of common stock warrants held by DoCoMo to additional paid-in capital	88	−	−
Non-cash additions to property, plant and equipment	623	689	414
Non-cash additions from AT&T for acquisitions and initial investments in ventures and partnerships	−	539	2,553
Recapitalization of long-term debt due to AT&T into preferred stock held by AT&T	−	2,000	−

6. Earnings Per Share (EPS)

Basic EPS for AT&T Wireless Services has been computed by dividing income (loss) from continuing operations available to common shareholders, loss from discontinued operations, and net (loss) income available to common shareholders, by the weighted average common shares outstanding for each period. Income (loss) from continuing operations available to common shareholders for each period includes income (loss) from continuing operations less dividend requirements on preferred stock held by AT&T. Weighted average common shares outstanding for the years ended December 31, 2000 and 1999, assume that all of the shares outstanding effective with the split-off, including the newly issued shares held by DoCoMo, were outstanding for those periods.

Diluted EPS for AT&T Wireless Services has been computed by dividing income (loss) from continuing operations available to common shareholders, loss from discontinued operations, and net (loss) income available to common shareholders, by the weighted average common shares outstanding for each period, plus the effect of dilutive stock options, which totaled 2 million for all periods, with the exception of the year ended December 31, 1999, as the effect of stock options was considered to be anti-dilutive. The effect of dilutive stock options was determined under the treasury stock method. As of December 31, 2001, there were 139 million AT&T Wireless Services common stock options outstanding as well as the DoCoMo warrants issued in January 2001 (see Note 4) that were anti-dilutive, and therefore were not included in the determination of diluted EPS. As of December 31, 2000 and 1999, there were 130 million AT&T Wireless Services common stock options outstanding, as well as the DoCoMo warrants, that were considered to be anti-dilutive and therefore excluded from the calculation of EPS.

7. Acquisitions and Dispositions

During 2001, 2000 and 1999, AT&T Wireless Services completed certain transactions as part of its overall strategy to expand its wireless footprint and divest itself of non-core interests. Net pre-tax gains recognized in connection with these transactions were $0, $362 and $99 in 2001, 2000 and 1999, respectively and are included in “Other income” in the accompanying consolidated statements of operations.

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Acquisitions:

On October 8, 2001, AT&T Wireless Services announced that it had entered into an agreement to acquire TeleCorp PCS, Inc. (TeleCorp) in an all-stock transaction then valued at approximately $4.7 billion. AT&T Wireless Services agreed to acquire the remaining 77% of TeleCorp that it did not already own for AT&T Wireless Services common stock then valued at approximately $2.4 billion and the assumption of $2.1 billion in net debt and approximately $221 million in preferred securities. As of December 31, 2001, the boards of directors of both AT&T Wireless Services and TeleCorp had approved the transaction and TeleCorp shareholders representing a majority of the voting power had committed to vote in favor of the acquisition. See Note 20 for subsequent event associated with the merger transaction with TeleCorp.

The following tables present information about significant acquisitions by AT&T Wireless Services for the years ended December 31, 2000 and 1999. There were no significant acquisitions made by AT&T Wireless Services during the year ended December 31, 2001. All of the following acquisitions were accounted for as purchases. The excess of aggregate purchase price over the fair value of net tangible assets (liabilities) acquired is being amortized over periods of five to 40 years. See Note 19 for further details associated with changes in accounting and reporting for intangible assets effective January 1, 2002.

For the Year Ended December 31, 2000:

	Purchase Price(1)	Licensing Costs	Other Identifiable Intangible Assets	Net Tangible Assets (Liabilities)	Goodwill
Los Angeles(2)	$ 3,555	$ 2,170	$ 202	$ 191	$ 992
Houston(3)	984	580	15	(28)	417
CMT Partners(4)	1,805	910	100	207	588
Wireless One(5)	859	550	19	67	223
Others(6)	1,469	857	32	185	395

(1) Purchase price includes cash, as well as the fair value of assets exchanged, as applicable.

(2) In November 1998, AT&T Wireless Services and BellSouth combined their jointly owned cellular properties in Los Angeles, Houston and Galveston, Texas, plus cash, to form AB Cellular Holding, LLC (AB Cellular), which owned, controlled and supervised all three properties. AT&T Wireless Services held a 55.62% equity interest in AB Cellular, however, held a 50% voting interest, therefore, this investment was accounted for under the equity method. Pursuant to the AB Cellular Limited Liability Company Agreement, there were redemption provisions that allowed BellSouth, commencing in December 2000, to alter the ownership structure of AB Cellular pursuant to one of three options. On December 4, 2000, BellSouth announced its election to have AB Cellular exercise its option to redeem AT&T Wireless Services' 55.62% equity interest. On December 29, 2000, AB Cellular completed the redemption of AT&T Wireless Services' 55.62% equity interest in AB Cellular, and in exchange, AT&T Wireless Services received 100% of the net assets of the Los Angeles cellular property. As a result of the redemption, AB Cellular recognized a significant gain on the transaction based on the estimated fair value of the net assets of the Los Angeles cellular property on the date of redemption. AT&T Wireless Services' net equity earnings for the year ended December 31, 2000, included $372, after tax, reflecting its proportionate share of the gain. The net

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assets of the Los Angeles cellular property were recorded at fair value by AT&T Wireless Services and resulted in a pre-tax loss of $184, which was included within “Other income” on the accompanying consolidated statements of operations. As a result of this

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transaction, AT&T Wireless Services' results for the year ended December 31, 2000, included a non-cash reduction to investments of $3,756, associated with the redemption of its equity interest in AB Cellular.

(3) On December 29, 2000, AT&T Wireless Services completed the acquisition of a wireless system in Houston for cash.

(4) On June 29, 2000, AT&T Wireless Services completed the acquisition of Vodafone Airtouch plc's 50% partnership interest in CMT Partners (the Bay Area Properties) for cash, which holds a controlling interest in five Bay Area markets including San Francisco and San Jose, thereby giving AT&T Wireless Services a 100% ownership interest in this partnership. Prior to consummation of this transaction, AT&T Wireless Services' 50% ownership interest in CMT Partners was accounted for as an equity investment. As a result of the transaction, $190 was reclassified from investments to goodwill on the accompanying consolidated balance sheets during the year ended December 31, 2000.

(5) On June 1, 2000, AT&T Wireless Services completed its acquisition of the assets of Wireless One Network, L.P. for cash, acquiring wireless systems in Northwest and Southwest Florida.

(6) Other 2000 acquisitions include wireless systems acquired in San Diego, Indianapolis, and several New England markets. See Note 8 for further discussion of the transaction related to the purchase of the wireless systems in the New England markets.

For the Year Ended December 31, 1999:

	Purchase Price(1)	Licensing Costs	Other Identifiable Intangible Assets	Net Tangible Assets	Deferred Tax Liabilities Related to Intangible Assets	Goodwill
Vanguard Cellular(2)	$ 1,528	$ 530	$ 100	$ 333	$ (241)	$ 806
Others(3)	601	385	−	61	−	155

(1) Purchase price includes cash, fair value of AT&T common stock issued, assumption of debt and fair value of assets exchanged, as applicable.

(2) On May 3, 1999, AT&T acquired Vanguard Cellular Systems, Inc. and contributed its interest in Vanguard to AT&T Wireless Services as of the date of acquisition. Under the agreement, each Vanguard shareholder was entitled to elect to receive either cash or AT&T stock in exchange for their Vanguard shares subject to the limitation that the overall consideration would consist of 50% AT&T stock and 50% cash. Consummation of the merger resulted in the issuance of approximately 12.6 million AT&T shares and payment of $485 in cash. In addition, Vanguard had approximately $550 in debt, which was repaid by AT&T.

(3) Other 1999 acquisitions include Honolulu Cellular Telephone Company and Bakersfield Cellular Telephone Company as well as wireless systems in Utah, Oregon, California, Idaho, Ohio and Louisiana.

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The following unaudited pro forma consolidated results of operations for the years ended December 31, 2000 and 1999, assume the Los Angeles, Houston, Bay Area Properties, Wireless One, San Diego and Indianapolis acquisitions had been completed on January 1, 1999:

	For the Years Ended December 31,	
	2000	1999
	(Unaudited)	
Revenue	$ 12,237	$ 9,845
Income (loss) from continuing operations	$ 580	$ (338)
Income (loss) from continuing operations available to common shareholders per share − basic and diluted	$ 0.18	$ (0.16)
Net (loss) income available to common shareholders	$ 280	$ (454)
Net (loss) income available to common shareholders per share − basic and diluted	$ 0.11	$ (0.18)

Unaudited pro forma data may not be indicative of the results that would have been obtained had these events actually occurred at the beginning of the periods presented, nor does it intend to be a projection of future results.

Dispositions of Businesses and Investments:

In June 2000, AT&T Wireless Services sold its interest in two equity investments for cash, resulting in pre-tax gains of approximately $141.

In June 1999, AT&T Wireless Services sold its interest in WOOD-TV for cash, resulting in a pre-tax gain of $88.

In May 1999, AT&T Wireless Services sold its net assets in the geographic area of San Juan, Puerto Rico, including a portion of the PCS license, to TeleCorp for cash and preferred stock of TeleCorp, resulting in a pre-tax gain of $11.

8. Investments In and Advances To Unconsolidated Subsidiaries

AT&T Wireless Services holds investments in ventures and partnerships that provide AT&T Wireless Services access to additional domestic and international wireless markets. Substantially all of these investments are accounted for under the equity method.

At December 31, 2001 and 2000, AT&T Wireless Services had equity method investments of $3,420 and $3,080, respectively, of which $1,853 and $1,680, respectively, related to international investments. Pre-tax amortization of excess carrying value of $65, $25 and $19 in 2001, 2000 and 1999, respectively, is reflected as a component of net equity (losses) earnings from investments in unconsolidated subsidiaries in the accompanying consolidated statements of operations. At December 31, 2001 and 2000, the carrying value of investments accounted for under the equity method exceeded AT&T Wireless Services' share of the underlying reported net assets by approximately $1,207 and $446, respectively. AT&T Wireless Services received cash distributions based on its equity interest in these investments of $659, $201 and $232 for the years ended December 31, 2001, 2000 and 1999, respectively. The cash distributions for the year ended December 31, 2001, primarily included the cash proceeds associated with the sale of AT&T Wireless Services' interest in Japan Telecom.

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Ownership of significant equity investments is as follows:

	At December 31,	
	2001	2000
ACC Acquisitions, LLC	50.00%(1)	50.00%(1)
Triton PCS Holdings, Inc.	15.68%	16.71%
TeleCorp PCS, Inc.	22.85%(2)	22.99%(2)
Cincinnati Bell Wireless, LLC	19.90%	19.90%
Alaska Native Wireless, LLC	38.18%(3)	39.90%(3)
Far EasTone Telecommunications, Ltd.	22.74%(4)	22.70%(4)
Birla Tata AT&T Ltd.	33.00%(5)	N/A (5)
Birla AT&T Communications Ltd.	N/A (5)	49.00%(5)
BPL Cellular Ltd.	49.00%(5),(8)	49.00%(5),(8)
Rogers Wireless Communications, Inc.	34.35%(6)	16.65%(6)
Japan Telecom	N/A (7)	5.00% (7)
EuroTel Praha, spol. s.r.o.	24.50%(8)	24.50%(8)
EuroTel Bratislava a.s.	24.50%(8)	24.50%(8)
Cascade Wireless, LLC	85.00%(9)	85.00%(9)

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(1) On February 28, 2000, AT&T and Dobson Communications Corporation (Dobson) acquired American Cellular Corporation, through a joint venture, ACC Acquisitions, LLC, for approximately $2.4 billion. AT&T contributed its interest in the joint venture to AT&T Wireless Services as of the date of the acquisition. The acquisition was funded with non-recourse bank debt by the joint venture and cash equity contributions of approximately $400 from each of the two partners. Dobson is responsible for day-to-day management of the joint venture, which is equally owned and jointly controlled by Dobson and AT&T Wireless Services. Accordingly, this investment is accounted for as an equity method investment in the accompanying consolidated financial statements.

(2) During 1998, AT&T Wireless Services entered into a venture with TeleCorp PCS, Inc. to build and operate digital wireless networks in portions of New England and the Midwestern and Southeastern United States. AT&T Wireless Services contributed licenses to the venture in exchange for preferred stock. Additionally in May 1999, AT&T Wireless Services sold its net assets in the geographic area of San Juan, Puerto Rico, including a portion of the PCS license, to TeleCorp PCS, Inc. for cash and preferred stock. In January 1999, AT&T Wireless Services entered into a venture with Tritel, Inc. to build and operate a digital wireless network across parts of the Southwestern United States. AT&T Wireless Services contributed licenses to the venture in exchange for preferred stock. On November 13, 2000, TeleCorp PCS, Inc. completed its merger agreement with Tritel, Inc., as part of a stock transaction. Pursuant to the terms of the agreement, each company merged with a separate newly formed subsidiary of a new holding company named TeleCorp PCS, Inc. (TeleCorp), upon consummation of the transaction. In connection with the merger, AT&T Wireless Services contributed to TeleCorp, rights to acquire wireless licenses in Wisconsin and Iowa, paid approximately $20 in cash and extended the term of its brand license agreement through July 2005, in exchange for approximately 9.3 million additional common shares in the newly combined company. In a separate transaction with TeleCorp, AT&T Wireless Services completed an exchange of certain wireless licenses and rights to acquire additional licenses in the Wisconsin and Iowa markets, as well as made a cash payment of approximately $80. In return, AT&T Wireless Services received TeleCorp' s PCS licenses and wireless

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systems in several New England markets. AT&T Wireless Services recognized a pre-tax gain of $379, which was recorded in other income, associated with these transactions for the year ended December 31, 2000. Ownership percentages reflect AT&T Wireless Services' ownership of common stock, assuming conversion of all currently convertible preferred shares to common stock. In addition, AT&T Wireless Services holds redeemable preferred shares in this investment, which are not currently convertible to common stock. These preferred shares have certain liquidation preference rights. See Notes 7, 16 and 20 for discussion of merger agreement and financing commitments entered into between AT&T Wireless Services and TeleCorp.

(3) During November 2000, AT&T Wireless Services joined with others in the formation of a venture, Alaska Native Wireless, LLC, which participated in the Federal Communication Commission' s Auction 35 of license spectrum in the 1900 megahertz band. AT&T Wireless Services provided funding to the joint venture through a combination of a non-controlling equity interest and debt securities of Alaska Native Wireless totaling approximately $309 as of December 31, 2001. AT&T Wireless Services has made certain commitments related to this joint venture. See Note 16 for further discussion of outstanding commitments.

(4) On December 8, 2000, AT&T Wireless Services exercised its options to purchase additional shares of stock in its equity investment in Far EasTone Telecommunications, Ltd. AT&T Wireless Services paid approximately $205 for the additional shares and increased its ownership percentage to 22.7%.

(5) During 2001, AT&T Wireless Services directly and through its interest in Birla AT&T Communications Ltd. completed two transactions that expanded AT&T Wireless Services' coverage area in the Indian states of Andhra Pradesh and Madhya Pradesh. These transactions were completed by the fourth quarter of 2001. As a result, AT&T Wireless Services' now owns an approximate 33% interest in the newly merged entity, Birla Tata AT&T Ltd. In the third quarter of 2001, AT&T Wireless Services and the other venture partners executed an agreement to combine Birla Tata AT&T Ltd. with BPL Mobile Communications Ltd. and certain portions of BPL Cellular Ltd. AT&T Wireless Services currently owns a 49% interest in BPL Cellular Ltd. The agreement to combine these entities is subject to a number of conditions. If all conditions are satisfied and a combination occurs as contemplated in the agreement, AT&T Wireless Services estimates that its ownership will be approximately 24% in the final combined entity.

(6) In August 1999, AT&T and British Telecommunications plc, through a newly created joint venture, acquired a 33.3% ownership interest in Rogers Wireless Communications, Inc. (Rogers Wireless), formerly Rogers Cantel Mobile Communications, Inc., for approximately $934 in cash. AT&T contributed its interest in the joint venture to AT&T Wireless Services as of the date of acquisition. The investment was owned equally by AT&T Wireless Services and British Telecommunications. During the first quarter of 2001, AT&T Wireless Services issued unsecured term notes to Rogers Wireless to pay for spectrum it successfully bid upon in the Canadian spectrum auctions. In April 2001, Rogers Wireless effected a rights offering of its equity securities in which AT&T Wireless Services' joint venture with British Telecommunications plc, JVII, participated. The participation increased JVII' s ownership interest in Rogers Wireless to 34.35%. AT&T Wireless Services funded the purchase on behalf of JVII by offsetting it against the unsecured, interest-bearing note made by AT&T Wireless Services. This transaction resulted in AT&T Wireless Services obtaining a controlling interest of JVII, as well as increasing the indirect ownership percentage in Rogers Wireless. On July 3, 2001, AT&T Wireless Services acquired British Telecommunications' interest in JVII for approximately $380 in cash. As a result of this acquisition, AT&T Wireless Services now owns 100% of JVII, and, through JVII, holds a 34.35% ownership interest in Rogers Wireless.

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(7) In the first quarter of 2000, AT&T Wireless Services was allocated one-half of AT&T' s interest in Japan Telecom, which was held through a joint venture with British Telecommunications. This investment was accounted for under the equity method because of our ability to elect certain members of the board of directors of this entity, which we believe provided us with significant influence. On April 27, 2001, AT&T completed the sale of its interest in Japan Telecom for approximately $1.35 billion in cash. AT&T attributed $0.5 billion of the net after-tax proceeds from the sale to AT&T Wireless Services. AT&T Wireless Services recognized an after-tax gain of $298 associated with the transaction, which was recorded in net equity (losses) earnings from investments in unconsolidated subsidiaries in the second quarter of 2001.

(8) These investments were acquired on October 2, 2000, and represented the significant interests acquired by AT&T Wireless Services when it completed its acquisition of several interests in international ventures acquired by AT&T as a result of its acquisition of MediaOne in June 2000. AT&T Wireless Services acquired these interests from AT&T for approximately $1 billion in cash, which was determined based upon a third party valuation. Additionally, AT&T Wireless Services assumed deferred tax liabilities totaling approximately $200 which were transferred from AT&T.

(9) On December 22, 2000, AT&T Wireless Services joined with others in the formation of Cascade Wireless, LLC. Upon formation of the entity, AT&T Wireless Services contributed $2.3 in cash to obtain an 85% non-controlling equity interest in the entity. During 2001, AT&T Wireless Services loaned approximately $180 to Cascade Wireless, LLC to finance various license purchases and operational activities. Subsequent to December 31, 2001, AT&T Wireless loaned an additional $251 to Cascade Wireless, LLC to finance certain acquisitions and license purchases made by Cascade Wireless, LLC. This investment is accounted for under the equity method as AT&T Wireless Services does not have any voting rights with respect to this entity.

The consolidated results of operations and the financial position of the significant equity method investments are summarized below.

Condensed Income Statement Information

	For the Years Ended December 31,		
	2001	2000	1999
Revenue	$ 8,380	$ 16,479	$ 3,495
Operating (loss) income	(281)	290	(155)
Net income (loss)	15	1,094	(236)

Condensed income statement information for 2001 includes the results of Japan Telecom prior to its sale in April 2001. Condensed income statement information for 2000 and 1999 includes the results of AB Cellular and CMT Partners prior to their consolidation by AT&T Wireless Services. Net income in 2001 includes the gain recognized on the sale of Japan Telecom. Net income in 2000 includes the gain recognized by AB Cellular associated with the redemption of AT&T Wireless Services' equity interest in December 2000 (see Note 7).

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Condensed Balance Sheet Information

	At December 31,	
	2001	2000
Current assets	$ 1,957	$ 4,171
Noncurrent assets	18,656	22,231
Current liabilities	1,809	2,717
Noncurrent liabilities	9,840	10,313
Redeemable preferred stock	648	543

Current assets are composed primarily of cash, accounts receivable and other current assets. Noncurrent assets are composed primarily of goodwill and other intangible assets, property, plant and equipment and licensing costs. Current liabilities are composed primarily of operating accruals, accounts payable and short-term debt. Noncurrent liabilities are composed primarily of long-term debt and deferred income taxes.

AT&T Wireless Services also has investments accounted for under the cost method. Under this method, investments are stated at cost, and earnings are recognized to the extent distributions are received up to accumulated earnings of the investee. Distributions received in excess of accumulated earnings are recognized as a reduction of the investment balance.

On February 8, 2001, AT&T Wireless Services completed its purchase of $200 in Series AA preferred stock from Dobson, which has a liquidation preference of $1,000 per share and is exchangeable into Series A convertible preferred stock. If the Series AA preferred stock is exchanged into Series A convertible preferred stock, AT&T Wireless Services will increase its ownership interest in Dobson, on an as-converted-to-common-stock basis, from its current ownership of 4.7% to approximately 11.8%.

Subsequent to our split-off from AT&T in July 2001, AT&T Wireless Services appointed an individual to its board of directors who has a controlling interest in several entities to which AT&T Wireless Services had previously committed to provide financing. The financing provided by AT&T Wireless Services to these entities was in the form of non-controlling equity interests, as well as debt. Proceeds of these financings were used to acquire, from third parties, license spectrum that AT&T Wireless Services is not eligible to own, as well as certain operating requirements of the entities. AT&T Wireless Services' financing to these entities since January 1, 2001, totaled $642, including fundings which occurred during the first quarter of 2002.

9. Asset Impairment and Restructuring Charges

During the fourth quarter of 1999, AT&T Wireless Services recorded a $531 asset impairment charge, including $3 associated with the fixed wireless business, primarily associated with the planned disposal of certain wireless communications equipment resulting from a program to increase capacity and operating efficiency of its wireless network. As part of a multi-vendor program, contracts have been executed with certain vendors to replace significant portions of the wireless infrastructure equipment in the Western United States and the metropolitan New York markets. The program is intended to provide AT&T Wireless Services with the newest technology available and allow it to evolve to new next-generation digital technology, which will provide high-speed data capabilities.

The planned disposal of certain wireless infrastructure equipment required an evaluation of asset impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," to write-down these assets to

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their fair value, which was estimated by discounting the expected future cash flows to be generated by these assets from their use and eventual disposition through the date of disposal. Since the assets remained in service from the date of the decision to

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dispose of these assets to the disposal date, the impairment was recorded within accumulated depreciation and the remaining net book value of the assets was depreciated over this shortened period. As of December 31, 2001, all of the reserve was utilized and all of these assets have been fully depreciated.

10. Income Taxes

AT&T Wireless Services became a separate taxable entity effective with its split-off from AT&T in July 2001. Prior to the split-off, AT&T Wireless Services was not a separate taxable entity for federal and certain state income tax purposes and its results of operations were included in the consolidated federal and state income tax returns of AT&T and its affiliates, as described in Note 1. The following table shows the principal reasons for the difference between the effective income tax rate and the United States federal statutory income tax rate for AT&T Wireless Services' income (loss) from continuing operations, excluding the taxes associated with net equity (losses) earnings from investments in unconsolidated subsidiaries:

	For the Years Ended December 31,		
	2001	2000	1999
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
Federal income tax at statutory rate	$ 205	$ 240	$ (204)
State and local income taxes, net of federal income tax effect	18	19	(17)
Amortization of intangibles	42	20	17
Net revaluation of securities	(25)	–	–
Sale of foreign investment	–	(31)	–
Change in valuation allowance and other estimates	58	–	(50)
Other differences, net	13	(2)	(3)
Provision (benefit) for income taxes	$ 311	$ 246	$ (257)
Effective income tax rate	53.0%	35.7%	44.1%
PROVISION (BENEFIT) FOR INCOME TAXES			
CURRENT			
Federal	$ (18)	$ (284)	$ (169)
State and local	39	(61)	4
Foreign	5	–	–
	$ 26	$ (345)	$ (165)
DEFERRED			
Federal	$ 292	$ 505	$ (48)
State and local	(7)	86	(44)

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	$ 285	$ 591	$ (92)
Provision (benefit) for income taxes	$ 311	$ 246	$ (257)

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Income tax provisions associated with and included in net equity (losses) earnings from investments in unconsolidated subsidiaries were $13, $243, and $73 for the years ended December 31, 2001, 2000 and 1999, respectively.

Deferred income tax liabilities are taxes AT&T Wireless Services expects to pay in future periods. Similarly, deferred income tax assets are recorded for expected reductions in taxes payable in future periods. Deferred income taxes arise because of differences in the book and tax bases of certain assets and liabilities.

Deferred income tax liabilities and assets consist of the following:

	At December 31,	
	2001	2000
LONG-TERM DEFERRED INCOME TAX LIABILITIES		
Property, plant and equipment and licenses	$ (3,921)	$ (3,618)
Investments	(856)	(989)
Other	(75)	(74)
Total long-term deferred income tax liabilities	$ (4,852)	$ (4,681)
LONG-TERM DEFERRED INCOME TAX ASSETS		
Discontinued operations	$ 405	$ –
Net operating loss/credit carryforwards	110	37
Valuation allowance	(15)	(15)
Total net long-term deferred income tax assets	$ 500	$ 22
Net long-term deferred income tax liabilities	$ (4,352)	$ (4,659)
CURRENT DEFERRED INCOME TAX LIABILITIES		
Total current deferred income tax liabilities	$ –	$ –
CURRENT DEFERRED INCOME TAX ASSETS		
Discontinued operations	$ 99	$ –
Employee benefits	11	11
Reserves and allowances	109	65
Other	3	17
Total current deferred income tax assets	$ 222	$ 93
Net current deferred income tax assets	$ 222	$ 93

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At December 31, 2001, AT&T Wireless Services had net operating loss carryforwards for federal and state income tax purposes of $165 and $57, respectively, at their respective rates, expiring beginning 2003 through 2021. AT&T Wireless Services also has federal tax credit carryforwards of $29 which are not subject to expiration. AT&T Wireless Services has sufficient reversing taxable temporary differences to warrant recognition of its deferred tax assets without the need for any additional valuation allowance.

11. Employee Benefit Plan

AT&T Wireless Services sponsors a savings plan for the majority of its employees. The plan allows employees to contribute a portion of their pre-tax income in accordance with specified guidelines. The plan matches a percentage of employee contributions up to certain limits. In addition, AT&T Wireless Services

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may make discretionary or profit sharing contributions. Contributions amounted to $91, $60 and $37 in 2001, 2000 and 1999, respectively.

12. Stock-Based Compensation Plans

Stock-based Compensation Plans Subsequent to the Split-off:

In conjunction with the split-off from AT&T in July 2001, AT&T Wireless Services adopted the AT&T Wireless Services Long Term Incentive Plan (LTIP), which allows for the granting of stock options, performance shares and restricted stock units in AT&T Wireless Services' common stock. In addition, AT&T Wireless Services adopted the AT&T Wireless Services Adjustment Plan (Adjustment plan), which is a plan designed to govern the outstanding AT&T Wireless Services common stock options created from AT&T Wireless Group tracking stock options upon split-off, as well as the AT&T Wireless Services common stock options created from AT&T options upon the split-off distribution. There were 150 million common shares authorized under the Adjustment plan.

Under the LTIP, there were 86 million common shares authorized for grant as of December 31, 2001. The shares available for grant are based on the 86 million shares authorized upon adoption of the LTIP plus an additional number of shares to be added to the plan on January 1st of each year, adjusted for new grants, exercises, forfeitures, cancellations and terminations of outstanding awards under both plans throughout the year. The additional shares to be added annually is based on 2.75% of the shares outstanding on January 1st of each year. Stock options are granted to virtually all employees as well as to members of AT&T Wireless Services' board of directors. The exercise price of stock options granted is equal to the stock price when the option is granted. The options generally vest over three and one-half years and are exercisable up to 10 years from the date of grant. Restricted stock units and performance share units are awarded to key employees.

In addition to the AT&T Wireless Services LTIP, AT&T Wireless Services adopted the AT&T Wireless Services Employee Stock Purchase Plan (ESPP). Under the ESPP, AT&T Wireless Services is authorized to sell up to 5,200 thousand shares of AT&T Wireless Services common stock to AT&T Wireless Services employees. Under the terms of the ESPP, employees may have up to 10% of their earnings withheld to purchase AT&T Wireless Services' common stock. The purchase price of the stock on the date of exercise is 85% of the fair market value of shares on the New York Stock Exchange on either the first or the last day of the applicable quarter, whichever is less. During 2001, AT&T Wireless Services sold 621 thousand shares to employees under the ESPP.

Stock-based Compensation Plans Prior to the Split-off:

Prior to the split-off from AT&T, employees of AT&T Wireless Services participated in the stock-based compensation plans of AT&T, which included stock options granted in AT&T common stock. Prior to the date of the offering of AT&T Wireless Group tracking shares in April 2000, AT&T granted approximately 1,082 thousand and 9,438 thousand AT&T common stock options to AT&T Wireless Services employees during 2000 and 1999, respectively. The weighted-average exercise prices at the grant date for AT&T common stock options granted to AT&T Wireless Services employees during 2000 and 1999 were $48.05 and $59.35, respectively. At December 31, 2000 and 1999, there were approximately 27,506 thousand and 30,068 thousand AT&T common stock options outstanding, respectively, held by AT&T Wireless Services employees at weighted average exercise prices of $41.58 and $41.14, respectively. At December 31, 2000 and 1999, there were approximately 17,492 thousand and 15,546 thousand AT&T common stock options exercisable, respectively, at weighted average exercise prices of $35.37 and $30.15, respectively.

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Subsequent to the April 2000 offering of AT&T Wireless Group tracking stock and prior to the split-off in July 2001, AT&T granted stock options in AT&T Wireless Group tracking stock to nearly all AT&T employees, including AT&T Wireless Services employees. Of the total options granted in 2001 noted in the table below, 4,085 thousand represent AT&T Wireless Group tracking stock options granted prior to the split-off, of which 2,185 thousand were granted to AT&T Wireless Services employees. Of the total AT&T Wireless Group tracking stock options granted during 2000, 53,308 thousand were granted to AT&T Wireless Services employees.

In conjunction with the split-off, AT&T and AT&T Wireless Services entered into an employee benefits agreement. This agreement covered the treatment of AT&T common stock options and AT&T Wireless Group tracking stock options held by both AT&T and AT&T Wireless Services employees. According to the agreement, each AT&T option granted to AT&T and AT&T Wireless Group employees prior to January 1, 2001, that was outstanding under the AT&T Long Term Incentive Plan as of the split-off date, was adjusted. This adjustment resulted in each individual who was a holder of an AT&T option receiving, immediately after the split-off date, an adjusted AT&T option and an AT&T Wireless Services option. The combined intrinsic value of the adjusted AT&T option and the AT&T Wireless Services option immediately after the split-off was equal to the intrinsic value of the AT&T option immediately before the split-off. Each AT&T Wireless Group tracking stock option held by an AT&T or AT&T Wireless Group employee outstanding under the AT&T Long Term Incentive Plan as of the split-off date was converted as of the split-off date into an AT&T Wireless Services option. The number of options and the exercise price per share of each AT&T Wireless Services option was adjusted to maintain the intrinsic value of the AT&T Wireless Services option immediately after the split-off.

Each AT&T option held by an AT&T Wireless Services employee subsequent to the split-off became fully vested and continues to be exercisable for the remaining scheduled term of such AT&T option. Each AT&T Wireless Services option held by an AT&T employee subsequent to the split-off became fully vested and continues to be exercisable for the remaining scheduled term of the original AT&T or AT&T Wireless Group tracking stock option. Each AT&T Wireless Services option converted from an AT&T Wireless Group tracking stock option or created from an AT&T option held by an AT&T Wireless Services employee is subject to the same terms and conditions regarding term, vesting, and other provisions regarding exercise as set forth in the original AT&T or AT&T Wireless Group tracking stock option from which the option was created or converted.

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Summary of AT&T Wireless Group and AT&T Wireless Services Common Stock Options:

The following table is a summary of AT&T Wireless Group stock option transactions prior to the split-off and AT&T Wireless Services stock option transactions subsequent to the split-off:

Shares in Thousands	2001	Weighted-Average Exercise Price	2000	Weighted-Average Exercise Price
Outstanding at January 1	73,626	$ 29.29	−	−
Options				
Granted	34,946	16.97	76,983	$ 29.29
Exercised	(970)	11.61	−	−
Canceled or forfeited	(6,695)	25.61	(3,357)	29.43
Options created as a result of split-off	75,330	27.08	−	−
Outstanding at December 31	176,237	26.14	73,626	29.29
Options exercisable	118,084	27.91	12,391	29.48
Shares available for grant	65,797		41,874	

The following table summarizes information about the AT&T Wireless Services stock options outstanding at December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at Dec. 31, 2001 (In thousands)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at Dec. 31, 2001 (In thousands)	Weighted-Average Exercise Price
$ 2.05 - $16.4	2 9,761	6.7	$ 11.28	6,261	$ 9.18
$16.43	26,028	9.5	16.43	−	16.43
$16.44 - $18.50	5,056	5.8	17.68	4,249	17.69
$18.51 - $19.97	7,851	5.6	18.92	7,420	18.90
$19.98 - $29.00	28,510	7.1	23.83	26,578	23.76
$29.01 - $29.16	66,907	8.3	29.16	42,756	29.16
$29.17 - $40.78	22,711	6.8	34.11	22,406	34.08
$40.79 - $47.35	9,413	6.8	45.29	8,414	45.56
Total	176,237	7.7	26.14	118,084	27.91

Of the 176,237 thousand options outstanding at December 31, 2001, 89,424 thousand were held by non-employees.

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AT&T Wireless Services applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized other than for performance share and restricted stock units. Compensation costs charged against AT&T Wireless Services' results of operations were not material in 2001, 2000, and 1999.

Fair Value Disclosures:

AT&T Wireless Services has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." If AT&T Wireless Services had elected to recognize compensation costs based

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on the fair value at the date of grant for AT&T Wireless Services common stock awards granted subsequent to the split-off in 2001, AT&T Wireless Group tracking stock awards granted to AT&T Wireless Services employees prior to the split-off, and AT&T common stock awards granted to AT&T Wireless Services employees prior to the split-off, consistent with the provisions of SFAS No. 123, net (loss) income available to common shareholders, and the respective per share amounts would have been as follows:

	For the Years Ended December 31,		
	2001	2000	1999
Net (loss) income available to common shareholders	$ (1,152)	$ 351	$ (520)
Net (loss) income available to common shareholders per share − basic and diluted	$ (0.46)	$ 0.14	$ (0.20)

The weighted-average fair value at date of grant was $7.56 for all AT&T Wireless Services stock options granted during 2001, as well as AT&T Wireless Group tracking stock options granted to AT&T Wireless Services employees prior to the split-off, and was estimated using the Black-Scholes option-pricing model. The following weighted average assumptions were applied: (i) expected dividend yield of 0%, (ii) expected volatility rate of 50.0%, (iii) expected life of 5 years, and (iv) risk-free interest rate of 4.2%.

The weighted-average fair value at date of grant was $2.44 for all shares of AT&T Wireless Services common stock issued during 2001 under the ESPP, and was estimated using the Black-Scholes option-pricing model. The following weighted average assumptions were applied: (i) expected dividend yield of 0%, (ii) expected volatility rate of 50.0%, (iii) expected life of 3 months, and (iv) risk-free interest rate of 1.7%.

The weighted-average fair value at date of grant was $14.43 for AT&T Wireless Group tracking stock options granted to AT&T Wireless Services employees during 2000 and was estimated using the Black-Scholes option-pricing model. The following weighted-average assumptions were applied: (i) expected dividend yield of 0%, (ii) expected volatility rate of 55.0%, (iii) expected life of 4 years, and (iv) risk-free interest rate of 6.52%.

The weighted-average fair values at date of grant for AT&T options granted to AT&T Wireless Services employees during 2000 and 1999 were $14.26 and $15.36, respectively, and were estimated using the Black-Scholes option-pricing model. The following weighted-average assumptions were applied for 2000 and 1999, respectively: (i) expected dividend yield of 1.7% for both years, (ii) expected volatility rates of 31.2% and 27.2%, (iii) expected lives of 3.9 years and 4.9 years, and (iv) risk-free interest rates of 6.69% and 4.71%.

13. Fair Values of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, short-term debt due to AT&T, due on demand notes payable and other current liabilities are a reasonable estimate of their fair value due to the short-term nature of these instruments.

The fair values of AT&T Wireless Services' Senior Notes are estimated by discounting the cash flows of each note at AT&T Wireless Services' incremental borrowing rate as of the end of the year. As of December 31, 2001, the carrying value and fair value of AT&T Wireless Services' Senior Notes totaled $6,487 and $7,046, respectively. As of December 31, 2000, the carrying value of AT&T Wireless Services' long-term debt to AT&T approximated the fair value of the obligation.

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As of December 31, 2001, AT&T Wireless Services had entered into interest rate swaps with a total notional value of $700. On a semi-annual basis, AT&T Wireless Services pays a floating rate of interest plus a fixed spread, which averaged 4.5% during 2001 for the period which the interest rate swaps were outstanding,

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and receives a fixed rate of 7.35% in return. The interest rate swaps were entered into as hedges of the fair value of AT&T Wireless Services' 7.35%, 2006 Senior Notes, and expire on March 1, 2006, the notes' maturity date. AT&T Wireless Services determines the fair value of its interest rate swaps based on market quotes obtained from swap dealers. The fair value of these interest rate swaps represented a liability of approximately $10 as of December 31, 2001.

14. Relationship with AT&T

Prior to the July 9, 2001, split-off from AT&T, the financial statements of AT&T Wireless Services reflect an assumed capital structure allocated from AT&T, as well as allocated costs associated with AT&T' s common support divisions as discussed in Note 1. Additionally, AT&T Wireless Services, including its fixed wireless business, purchased various network and selling, general and administrative services from AT&T, primarily at market-based prices.

	For the Years Ended December 31,		
	2001(1)	2000	1999
COSTS OF SERVICES:			
Long-distance and other network related services	$ 140	$ 241	$ 170
Provision for uncollectibles related to bundled customers	18	38	29
Total costs of services	$ 158	$ 279	$ 199
SELLING, GENERAL AND ADMINISTRATIVE:			
General corporate overhead allocations	$ 29	$ 56	$ 40
Sales employee, commissions and marketing support related costs(2)	–	67	223
Administrative telephone services	76	104	69
Remittance processing services	16	23	22
Billing and collection services related to bundled customers	12	38	36
Total selling, general and administrative	$ 133	$ 288	$ 390
INTEREST INCOME ON NOTE RECEIVABLE FROM AT&T(3)	$ 202	$ 143	$ –
INTEREST EXPENSE	$ 70	$ 196	$ 214
PREFERRED STOCK DIVIDENDS(4)	$ 76	$ 130	$ 56
CAPITALIZED INTEREST DEDUCTED FROM INTEREST EXPENSE	$ 41	$ 123	$ 88

AT&T Wireless Services had income tax receivables totaling $210 and $118 at December 31, 2001 and 2000, respectively, which represented payments to be received from AT&T in accordance with the tax sharing agreement.

(1) For the 2001 period prior to July 9, 2001.

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(2) Effective April 1, 2000, the direct sales employees previously employed by AT&T became employees of AT&T Wireless Services.

(3) Included within “Other income” on the consolidated statements of operations. For the 2001 period prior to the repayment of the note receivable from AT&T, intercompany interest income was determined based upon the average daily balance outstanding of the intercompany note receivable from AT&T, at a rate equal to AT&T’ s average 30-day commercial paper rate reset on the first day of each month, which was 4.2% at June 30, 2001. For the year ended December 30, 2000, intercompany interest income was

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determined based on the average daily balance outstanding of the intercompany note receivable from AT&T at a rate equal to the one month LIBOR minus six basis points.

(4) Recorded net of tax in accordance with the tax sharing agreement discussed in Note 1.

15. Long-term Debt

On March 6, 2001, AT&T Wireless Services completed a private placement of $6.5 billion in unsecured and unsubordinated Senior Notes with $1 billion maturing on March 1, 2006; $3 billion maturing on March 1, 2011; and $2.5 billion maturing on March 1, 2031. The notes pay interest at fixed rates ranging from 7.35% to 8.75% per annum, payable semi-annually and include customary covenants. In accordance with registration rights attached to the notes, on October 3, 2001, AT&T Wireless Services completed an exchange offer exchanging, at the election of the note holder, nearly 100% of private placement Senior Notes for new Senior Notes pursuant to a registration statement filed under the Securities Act of 1933. AT&T Wireless Services had interest expense of $443 for the year ended December 31, 2001, associated with these notes, of which $100 was capitalized.

On March 23, 2001, AT&T Wireless Services, entered into Competitive Advance and Revolving Credit Facilities (the Facilities) in the aggregate amount of $2.5 billion consisting of an up to $1.25 billion 364-day Competitive Advance and Revolving Credit Facility and an up to $1.25 billion Five-Year Competitive Advance and Revolving Credit Facility. The Facilities are subject to a facility fee ranging from 8 to 30 basis points, payable quarterly on the total commitment, used or unused. The facility fees are based on the respective agreement and will fluctuate based on AT&T Wireless Services' Senior Notes rating. The Facilities are also subject to a utilization fee of 12.5 basis points if borrowings exceed certain levels as defined in the agreement. The Facilities bear interest at variable rates based upon, in various cases, (i) LIBOR plus 32.5 to 100 basis points depending on AT&T Wireless Services' Senior Notes rating, or (ii) the greater of the prime rate or the Federal funds effective rate plus 50 basis points. The Facilities are to be used for general corporate purposes and are subject to customary covenants, representations, warranties and events of default. The Facilities contain financial covenants requiring AT&T Wireless Services to maintain certain financial ratios. In addition, the existence of an obligation by AT&T Wireless Services to repurchase equity interests from DoCoMo may, under certain circumstances, constitute an event of default. No amounts had been borrowed under the Facilities at December 31, 2001.

During June 2001, AT&T Wireless Services finalized agreements to issue up to $2.5 billion of private placement commercial paper notes. The notes will be unsecured, ranking pari passu with AT&T Wireless Services' other unsubordinated and unsecured indebtedness. Maturity of the notes will be up to 365 days from date of issue. As of December 31, 2001, AT&T Wireless Services did not have any notes outstanding under this program.

16. Commitments

On December 14, 2001, AT&T Wireless Services entered into a note purchase agreement with Lucent Technologies, Inc. to acquire from Lucent for $209, a total of $227 in aggregate accreted value of senior subordinated debt of TeleCorp. This indebtedness is evidenced by $358 in aggregate principal of 11% senior subordinated discount notes of TeleCorp with a maturity date of April 15, 2011. This note receivable is reflected within "Other assets" on the accompanying consolidated balance sheet as of December 31, 2001. Additionally, on December 14, 2001, AT&T Wireless Services entered into a commitment agreement under which it agreed to provide a total of $500 in financing to TeleCorp and its subsidiary TeleCorp Wireless, Inc. AT&T Wireless Services' obligation to provide the financing of this commitment agreement is not conditioned on the completion of the merger. In January 2002, AT&T Wireless Services advanced to TeleCorp $100 of

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senior subordinated debt, evidenced by 10% discount notes due 2011 in the aggregate principal amount of $152. The remaining commitment will take the form of senior subordinated debt and senior debt, including (1) $110 of senior subordinated debt, evidenced by 10% discount notes due 2011 in the aggregate principal amount of $163, to be advanced on April 15, 2002; (2) up to $250 in aggregate principal amount of senior subordinated debt, evidenced by 9% notes due 2008, to be advanced at the election of TeleCorp Wireless from time to time on or prior to March 30, 2002; and (3) $40 of term loans under the senior credit facility of TeleCorp Wireless to be advanced from time to time on or before March 30, 2002. In conjunction with the closing of the TeleCorp merger on February 15, 2002, the financing commitments to TeleCorp and its subsidiary TeleCorp Wireless became commitments of consolidated subsidiaries of AT&T Wireless Services.

AT&T Wireless Services has commitments to fund spectrum acquisitions and operational funding requirements of an equity method investment which totaled approximately $251 as of December 31, 2001. The funding of these commitments occurred during the first quarter of 2002.

AT&T Wireless Services has various purchase commitments for network equipment as well as handsets related to the development of its next-generation strategy. Those commitments totaled $1.5 billion as of December 31, 2001, and expire between 2002 and 2004.

During January 2001, AT&T closed its previously announced agreement with DoCoMo. Pursuant to this agreement, DoCoMo may require the repurchase of its investment at DoCoMo’ s original purchase price, plus interest, if AT&T Wireless Services fails to meet specified technological milestones, under certain circumstances. DoCoMo may require the repurchase of its investment, plus interest, if prior to June 30, 2004, AT&T Wireless Services abandons wideband code division multiple access as its primary technology for third-generation services, or if AT&T Wireless Services fails to launch services using universal mobile telecommunications systems (UMTS) in at least 13 of the top 50 U.S. markets, with certain specified exceptions. See Note 4 for further discussion related to the DoCoMo investment.

During November 2000, AT&T Wireless Services joined with others in the formation of a venture, Alaska Native Wireless (ANW), which participated in the Federal Communication Commission’ s (FCC) Auction 35 of license spectrum in the 1900 megahertz band, which is used to provide wireless services. In January 2001, the auction was completed, and ANW was the high bidder on approximately $2.9 billion in licenses. AT&T Wireless Services has committed to fund $2.6 billion to ANW to fund ANW’ s purchase of licenses. As of December 31, 2001, AT&T Wireless Services funded approximately $309 of the commitment through a combination of a non-controlling equity interest and debt securities of ANW. On March 4, 2002, the FCC announced that it is prepared to grant to ANW some of the licenses on which it was the high bidder upon payment of $90, which is the balance of the purchase price for those licenses. The remaining approximately $2.2 billion of additional funding will be made if and when the remaining licenses are granted, and will take the form of convertible and non-convertible notes of ANW. At the fifth anniversary of the first date on which licenses won in the auction are granted to ANW, and in addition to other means by which they may transfer their interests, the other owners of ANW have the right to require AT&T Wireless Services to purchase their equity interests. If this right were exercised five years after license grant, assuming licenses are granted in March 2002, the purchase price would be up to approximately $1.1 billion and would be payable, at AT&T Wireless Services’ option, in cash or marketable securities. The right to require AT&T Wireless Services to purchase these interests may be exercised before the five-year anniversary of the license grant if the conditions of certain FCC regulations restricting the free transferability of certain licenses offered in this auction are met earlier. If the right were exercised earlier, the purchase price would be calculated in generally the same way as if exercised at five years, except that a discount would be applied. In certain circumstances, if a winning bid of ANW is rejected or if any license granted to ANW is revoked, AT&T Wireless Services would be obligated to compensate other owners for making capital available to the venture. AT&T Wireless

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Services does not believe the amount of any such compensation, if it were required, would be material. In June 2001, a federal appeals court ruled that the FCC had acted improperly in repossessing from NextWave Telecom, Inc. most of the spectrum offered in the auction. The United States Supreme Court has ruled that it will hear an appeal of that decision.

In conjunction with the split-off, AT&T Wireless Services entered into a Master Carrier Agreement with AT&T to purchase certain voice and data telecommunications services. Under the Master Carrier Agreement, AT&T Wireless Services is required to purchase wholesale long-distance services it provides to its customers in an amount equal to its 2001 actual purchases for each of five years, beginning with the date of split-off. AT&T Wireless Services is required to pay AT&T any shortfall in cumulative usage at the rate of $0.01 per minute at the end of the five year period. AT&T Wireless Services' maximum commitment for this shortfall as of December 31, 2001 was approximately $484. AT&T Wireless Services is also required to purchase long-distance services associated with its administrative phone usage equal to $75 for each of three years following the split-off. As of December 31, 2001, AT&T Wireless Services had fulfilled approximately $45 of the first year' s commitment under the agreement. In addition, AT&T Wireless Services is required to purchase certain network data services from AT&T in an amount equal to $36 for each of the three years following the split-off. As of December 31, 2001, AT&T Wireless Services had fulfilled all of the first year' s commitment under the agreement.

AT&T Wireless Services leases land, buildings and equipment through contracts that expire in various years through 2045. Certain of AT&T Wireless Services' lease contracts include options to renew the leases for an additional five to 25 years. Rental expense under operating leases was $446, $263 and $200 for the years ended December 31, 2001, 2000 and 1999, respectively. The following table shows the future minimum rental payments due under non-cancelable operating leases at December 31, 2001:

For the Years Ended December 31,

2002	$ 465
2003	418
2004	378
2005	305
2006	192
Later Years	568

During 2001, 2000 and 1999, AT&T Wireless Services expensed $4, $28 and $82, respectively, for losses associated with commitments related to certain equity investments. Included in the 1999 loss of $82 was AT&T Wireless Services' commitment of $63 to fund the long-term debt obligations of one of its equity investments, which fully satisfied AT&T Wireless Services' commitment for this equity investment.

AT&T Wireless Services has commitments with local exchange carriers for dedicated leased lines. The original terms of these commitments vary from month-to-month up to five years. AT&T Wireless Services incurred approximately $300 in 2001 related to these dedicated transport commitments. AT&T Wireless Services also has various other purchase commitments for materials, supplies and other items incidental to the ordinary course of business which are not significant individually, nor in the aggregate.

17. Contingencies

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Several lawsuits have been filed asserting claims that AT&T Wireless Services collected charges for local government taxes from customers that were not properly subject to those charges. Agreements have been

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reached to settle others of these cases, although the agreements have not yet received court approval. AT&T Wireless Services has entered into a settlement of one of these cases, although the settlement has been challenged on appeal.

Several class action lawsuits have been filed in which claims have been asserted that AT&T Wireless Services did not have sufficient network capacity to support the influx of new subscribers who signed up for AT&T Digital One Rate service beginning in May 1998 and therefore has failed to provide service of a quality allegedly promised to subscribers. The plaintiffs in these cases have not asserted specific claims for damages, with the exception of one case filed in Texas in which the named plaintiffs have asserted claims for compensatory and punitive damages totaling $100. That case was dismissed, although an appeal is pending and another case in Texas remains pending. An agreement has been reached to settle certain of these cases, although the agreement has not received court approval.

Several other class action or representative lawsuits have been filed against AT&T Wireless Services that allege, depending on the case, breach of contract, misrepresentation or unfair practice claims relating to AT&T Wireless Services billing practices (including rounding up of partial minutes of use to full minute increments and billing send to end), coverage, dropped calls, price fixing and/ or mistaken bills. Although the plaintiffs in these cases have not specified alleged damages, the damages in two of the cases are alleged to exceed $100. One of these two cases was dismissed and the dismissal was affirmed in part on appeal. Settlement negotiations are ongoing in both cases.

Several class actions have been filed against AT&T and several wireless phone manufacturers and carriers, asserting products liability, breach of warranty and other claims relating to radio frequency transmissions to and from wireless phones. The complaints seek damages for the costs of headsets for wireless phone users as well as injunctive relief. In connection with the split-off, AT&T Wireless Services was allocated all of the liability, if any, arising from these lawsuits.

AT&T Wireless Services was involved in an international arbitration proceeding concerning interests in a Malaysian telecommunications joint venture, Maxis Communications Bhd, a former MediaOne business acquired by AT&T and sold to AT&T Wireless Services in the fourth quarter of 2000. In this arbitration proceeding, a group of Malaysian shareholders claim that MediaOne breached fiduciary duties and contractual obligations owed to the joint venture. The arbitration claim asserted damages of $400. In connection with the split-off, AT&T Wireless Services assumed a portion of the liabilities, if any, related to this action, subject to certain adjustments. In March 2001, AT&T Wireless Services entered into an agreement with other shareholders of Maxis Communications Bhd who were the claimants in this arbitration, for the sale of AT&T Wireless Services' entire interest in that entity and the resolution of the claims asserted in the arbitration proceeding. At that time, the parties agreed to suspend the arbitration proceeding pending closing of this transaction, and expected to terminate the arbitration proceeding when the sale has been completed. During November 2001, the sale was completed and the lawsuit associated with the Maxis investment was settled.

Stockholders of a former competitor of AT&T Wireless Services' air-to-ground business are plaintiffs in a lawsuit filed in 1993, alleging that AT&T Wireless Services breached a confidentiality agreement, used trade secrets to unfairly compete, and tortiously interfered with the business and potential business of the competitor. Plaintiffs sought damages in an unspecified amount in excess of $3.5 billion. AT&T Wireless Services obtained partial summary judgment and then prevailed on the remainder of the claims at a trial on the validity of a release of plaintiffs' claims. Final judgment was entered against plaintiffs on their claims, and plaintiffs appealed. On appeal, the Appellate Court of Illinois, Second District, reversed and remanded the case for trial indicating that certain issues decided by the judge needed to be resolved by a jury.

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(Dollars in millions, unless otherwise noted)

Several lawsuits have been filed against AT&T, certain executives of AT&T and AT&T Wireless Services and a group of investment banking firms, seeking class certification and asserting claims under federal securities laws. The complaints assert claims that AT&T made material misstatements concerning earnings and financial condition, while omitting other material information, allegedly to maximize proceeds from the offering of AT&T Wireless Group tracking stock in April 2000 and/or to avoid paying a cash guarantee in connection with the MediaOne acquisition. The complaints do not specify amounts of damages claimed, although the plaintiffs are seeking to recover for declines in stock prices of AT&T securities, including the AT&T Wireless Group tracking stock. In connection with the split-off, AT&T Wireless Services will be allocated a portion of the liabilities, if any, arising out of these actions to the extent relating to AT&T Wireless Group tracking stock.

A lawsuit has been filed challenging AT&T Wireless Services' involvement with Alaska Native Wireless LLC in connection with the auction of PCS spectrum licenses in FCC Auction 35. The complaint alleges claims of unfair business practices and interference with economic advantage, and alleges that Alaska Native Wireless is controlled by AT&T Wireless Services and therefore did not properly qualify as a designated entity under FCC requirements for bidding in the auction. The complaint does not seek to invalidate any licenses granted to Alaska Native Wireless in the auction, but seeks remedies of disgorgement and restitution of at least $380 and punitive damages of $677.

Several class action lawsuits have been filed by shareholders of TeleCorp, challenging AT&T Wireless Services' acquisition of TeleCorp (see Notes 7 and 20). The lawsuits allege that the consideration paid to TeleCorp shareholders was inadequate and allege conflicts of interest and breach of fiduciary duties by the directors of TeleCorp. Damages have not been specified, although the complaints seek injunctive relief to rescind the transaction.

The ultimate outcome of these claims and actions cannot be predicted with certainty, and accordingly, the aggregate ultimate liability of AT&T Wireless Services under these claims and actions was not determinable at December 31, 2001. It is the opinion of AT&T Wireless Services' management that it is not probable that the resolution of such lawsuits will have a material adverse impact on AT&T Wireless Services' consolidated financial statements.

AT&T Wireless Services also is a defendant in other legal actions involving claims incidental to the normal conduct of the running of its business. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Additionally, AT&T Wireless Services also makes routine filings with the FCC and state regulatory authorities, as well as state and local tax regulatory authorities. However, AT&T Wireless Services believes that the amounts that may be paid in these actions will not be material to its financial position, or to its results of operations or cash flow.

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18. Quarterly Information (Unaudited)

2001(1)	First	Second	Third	Fourth
Revenue	$ 3,210	$ 3,376	$ 3,496	$ 3,528
Revenue from discontinued operations	2	4	6	
Revenue as previously reported	$ 3,212	$ 3,380	$ 3,502	
Operating income (loss)	$ 232	$ 260	$ 143	$ (37)
Operating loss from discontinued operations	(91)	(131)	(128)	
Operating income as previously reported	$ 141	$ 129	$ 15	
Income (loss) from continuing operations	$ 56	$ 343	$ 156	$ (355)
Loss from discontinued operations	$ (56)	$ (80)	$ (79)	$ (872)
Dividend requirements on preferred stock held by AT&T, net	$ 42	$ 34	$ −	$ −
Net (loss) income available to common shareholders	$ (42)	$ 229	$ 77	$ (1,227)
Income (loss) from continuing operations available to common shareholders per share − basic and diluted	$ 0.01	$ 0.12	$ 0.06	$ (0.14)
Loss from discontinued operations per share − basic and diluted	$ (0.03)	$ (0.03)	$ (0.03)	$ (0.34)
Net (loss) income available to common shareholders per share − basic and diluted	$ (0.02)	$ 0.09	$ 0.03	$ (0.48)
Stock price(2):				
AT&T Wireless Services common stock (effective July 9, 2001)(3)				
High	$ −	$ −	$ 19.92	$ 16.22
Low	$ −	$ −	$ 12.27	$ 12.51
Quarter-end close	$ −	$ −	$ 14.94	$ 14.37
AT&T Wireless Group tracking stock (through July 8, 2001)(3)				
High	$ 27.30	$ 21.10	$ 17.20	$ −
Low	$ 17.06	$ 15.29	$ 16.29	$ −
Quarter-end close	$ 19.18	$ 16.35	$ −	$ −

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AT&T WIRELESS SERVICES, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in millions, unless otherwise noted)

2000(1)	First	Second	Third	Fourth
Revenue	$ 2,198	$ 2,477	$ 2,798	$ 2,973
Revenue from discontinued operations	–	–	1	1
Revenue as previously reported	$ 2,198	$ 2,477	$ 2,799	$ 2,974
Operating income (loss)	$ 70	$ 156	$ 85	$ (74)
Operating loss from discontinued operations	(44)	(49)	(58)	(124)
Operating income (loss) as previously reported	$ 26	$ 107	$ 27	$ (198)
Income (loss) from continuing operations	$ 53	$ 230	$ 57	$ 488
Loss from discontinued operations	$ (27)	$ (30)	$ (36)	$ (77)
Dividend requirements on preferred stock held by AT&T, net	$ 13	$ 33	$ 42	$ 42
Net income (loss) available to common shareholders	$ 13	$ 167	$ (21)	$ 369
Income (loss) from continuing operations available to common shareholders per share – basic and diluted	$ 0.02	$ 0.08	$ 0.01	$ 0.18
Loss from discontinued operations per share – basic and diluted	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.03)
Net income (loss) available to common shareholders per share – basic and diluted	$ 0.01	$ 0.07	$ (0.01)	$ 0.15
Stock price(2):				
AT&T Wireless Group tracking stock (effective April 27, 2000)(3)				
High	$ –	$ 36.00	$ 29.56	$ 24.94
Low	$ –	$ 23.56	$ 20.50	$ 16.38
Quarter-end close	$ –	$ 27.75	$ 20.78	$ 17.31

(1) Results have been restated to reflect the fixed wireless business as discontinued operations.

(2) Stock prices obtained from the NYSE Composite Transaction Tape.

(3) No dividends have been declared or paid on AT&T Wireless Group tracking stock or AT&T Wireless Services common stock.

19. Recent Accounting Pronouncements

In July 2001, the FASB issued SFAS No. 141, "Business Combinations." This statement provides accounting and reporting standards for business combinations initiated subsequent to June 30, 2001. All business combinations in the scope of this statement are to be accounted for under one method, the purchase method. AT&T Wireless Services' adoption of this statement during 2001 did not have a material impact on AT&T Wireless Services' results of operations, financial position or cash flow.

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In July 2001, the FASB issued SFAS No. 142, “Goodwill and Other Intangible Assets.” This statement provides accounting and reporting standards for intangible assets acquired individually, with a group of other assets, or as part of a business combination. This statement addresses how acquired goodwill and other intangible assets are recorded upon their acquisition as well as how they are to be accounted for after they have been initially recognized in the financial statements. Under this statement, goodwill, including excess net book value associated with equity method investments, and other intangible assets with indefinite useful lives, on a prospective basis, will no longer be amortized. AT&T Wireless Services believes licensing costs qualify as having indefinite useful lives and therefore will cease amortization of licensing costs on a prospective basis. AT&T Wireless Services recognized pre-tax amortization of goodwill, licensing costs and amortization of

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excess net book value associated with equity method investments of $135, $378 and $65, respectively, for the year ended December 31, 2001. AT&T Wireless Services anticipates that the amounts that would have been recorded for the year ended December 31, 2002, would not be materially different than the amounts recorded during 2001. Goodwill and other indefinite-lived assets will be tested for impairment at least annually, based on a fair value comparison. Intangible assets which have finite useful lives will continue to be amortized over their respective useful lives. This statement also requires expanded disclosure for goodwill and other intangible assets. AT&T Wireless Services is required to adopt this statement on January 1, 2002. Upon adoption, AT&T Wireless Services will be required to complete a transitional impairment test related to goodwill and other indefinite-lived intangible assets. Any resulting impairment loss will be recognized as a cumulative effect of a change in accounting principle. Based upon management' s current assessment, AT&T Wireless Services does not anticipate recording any material impairment charges associated with its consolidated goodwill and other indefinite-lived intangible assets upon adoption of this standard. Any resulting impairment charges recorded by AT&T Wireless Services' equity method investments upon adoption of this standard may have a material impact to its results of operations.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement provides accounting and reporting standards for costs associated with the retirement of long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. AT&T Wireless Services will be required to adopt this statement no later than January 1, 2003. AT&T Wireless Services is currently assessing the impact of this statement on its results of operations, financial position and cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used and for measurement of long-lived assets to be disposed of by sale. This statement applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, "Reporting Results of Operations − Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of segments of a business. This statement requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. AT&T Wireless Services' adoption of this statement on January 1, 2002, did not have a material impact on AT&T Wireless Services' results of operations, financial position or cash flows.

20. Subsequent Events

On February 12, 2002, AT&T Wireless Services completed the sale of certain fixed wireless assets to Netro Corporation (Netro), a company that is engaged in a business substantially different from AT&T Wireless Services' fixed wireless business. For $16 in cash and 8.2 million shares of Netro common stock, Netro acquired a license to intellectual property, equipment and proprietary software assets. As a result of the transaction, AT&T Wireless Services now owns approximately 13.5% of Netro' s outstanding common stock.

On February 7, 2002, TeleCorp shareholders voted in favor of the merger transaction with AT&T Wireless Services. Additionally, during February 2002, AT&T Wireless Services received approval of the

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merger from the Federal Communications Commission. AT&T Wireless Services closed the merger transaction with TeleCorp on February 15, 2002. Pursuant to the merger, 146 million new shares of AT&T Wireless Services common stock were issued, as well as 233 thousand shares of mandatorily redeemable preferred stock of AT&T Wireless Services. Upon closing of the transaction with TeleCorp, AT&T Wireless Services repaid approximately $938 of the debt assumed from TeleCorp, including their outstanding bank credit facilities and government financings.

On February 27, 2002, AT&T Wireless Services signed a definitive agreement to acquire for $285 in cash the remaining 49% minority interest in a market in which AT&T Wireless Services previously held a 51% ownership interest. The agreement remains subject to certain closing conditions and is expected to close during the first half of 2002.

On March 1, 2002, AT&T Wireless Services initiated a three-year accounts receivable securitization program. The securitization program will allow for up to $1.2 billion of financing, to be collateralized by subscriber trade accounts receivable. Under the program, AT&T Wireless Services can sell subscriber trade accounts receivable on a revolving basis to a special-purpose, wholly owned subsidiary of AT&T Wireless Services. The wholly owned subsidiary of AT&T Wireless Services would then sell an undivided interest in such receivables to an unrelated third-party financing entity. The financing is subject to program fees, payable monthly, based on the outstanding borrowed amount. There are currently no amounts outstanding under this financing arrangement. This financing arrangement is to be used for general corporate purposes, is subject to customary securitization covenants and will be recorded as an on-balance sheet transaction.

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AB CELLULAR HOLDING, LLC

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited − in thousands)

	For the Nine Months Ended September 30		For the Year Ended December 31
	2000	1999	1999
Revenues			
Cellular service revenue	$ 1,005,023	$ 868,652	$ 1,279,438
Equipment revenue	105,370	93,819	138,721
Other revenue	6,083	11,904	16,675
Total revenue	1,116,476	974,375	1,434,834
Cost and expenses			
Cost of cellular service	224,479	172,576	311,127
Cost of equipment	171,109	133,716	203,648
Operating, administrative and selling	350,686	352,332	504,843
Depreciation and amortization	239,552	192,293	266,666
Total costs and expenses	985,826	850,917	1,286,284
Operating income	130,650	123,458	148,550
Interest income	61,555	47,998	66,493
Loss on sale of assets	(2)	(7,436)	(14,560)
Minority interest expenses	(357)	(355)	(438)
Net income before taxes	191,846	163,665	200,045
Income tax provision	1,784	1,602	2,016
Net income	$ 190,062	$ 162,063	$ 198,029

The accompanying notes are an integral part of these consolidated financial statements.

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AB CELLULAR HOLDING, LLC

CONSOLIDATED BALANCE SHEETS

(Unaudited − in thousands)

	At September 30, 2000	At December 31, 1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,210,815	$ 1,239,293
Due from affiliates	56,424	53,397
Accounts receivable, less allowance of doubtful accounts of $15,363 and $15,826, respectively	214,216	161,575
Inventories	15,793	25,631
Prepaid expenses and other current assets	3,453	7,477
Total current assets	1,500,701	1,487,373
Property and equipment, less accumulated depreciation of $866,762 and $710,743, respectively	934,199	812,371
Other assets	10,897	3,112
Intangibles, less accumulated amortization of $171,897 and $104,972, respectively	2,415,596	2,482,762
Total assets	$ 4,861,393	$ 4,785,618
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Accounts payable	$ 112,744	$ 123,455
Due to affiliates	164,978	41,789
Other current liabilities	56,038	101,673
Total current liabilities	333,760	266,917
Other liabilities	1,976	1,534
Minority interest	3,148	3,068
Total other liabilities	5,124	4,602
Contingencies (Note 7)		
Members' capital		
AT&T Wireless Services	2,515,192	2,510,515
BellSouth Cellular Corp.	2,007,317	2,003,584
Total members' capital	4,522,509	4,514,099
Total liabilities and members' capital	$ 4,861,393	$ 4,785,618

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AB CELLULAR HOLDING, LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' CAPITAL

(Unaudited − in thousands)

	Total	BellSouth Cellular Corp.	AT&T Wireless Services
Balance at December 31, 1998	$ 4,443,680	$ 1,972,328	$ 2,471,352
Net income	162,063	71,932	90,131
Members' distributions	(90,149)	(40,013)	(50,136)
Members' contributions	30,438	755	29,683
Current period contributions receivable	(28,737)	–	(28,737)
Balance at September 30, 1999	$ 4,517,295	$ 2,005,002	$ 2,512,293
Balance at December 31, 1998	$ 4,443,680	$ 1,972,328	$ 2,471,352
Net income	198,029	87,895	110,134
Members' distributions	(133,253)	(59,946)	(73,307)
Members' contributions	49,816	4,545	45,271
Current period distribution payable	1,442	1,442	–
Current period contribution receivable	(45,615)	(2,680)	(42,935)
Balance at December 31, 1999	$ 4,514,099	$ 2,003,584	$ 2,510,515
Balance at December 31, 1999	$ 4,514,099	$ 2,003,584	$ 2,510,515
Net income	190,062	84,359	105,703
Members' distributions	(184,941)	(83,915)	(101,026)
Members' contributions	42,051	–	42,051
Current period distribution payable	3,289	3,289	–
Current period contribution receivable	(42,051)	–	(42,051)
Balance at September 30, 2000	$ 4,522,509	$ 2,007,317	$ 2,515,192

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AB CELLULAR HOLDING, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited − in thousands)

	For the Nine Months Ended September 30, 2000	For the Nine Months Ended September 30, 1999	For the Year Ended December 31, 1999
CASH PROVIDED BY OPERATIONS			
Net income	$ 190,062	$ 162,063	$ 198,029
Adjustments to reconcile net income to net cash provided by operating activities			
Loss on sale of assets	2	7,436	14,560
Depreciation and amortization	239,552	192,293	266,666
Inventory obsolescence	466	3,147	3,743
Minority interest	357	355	438
Provision for doubtful accounts	27,482	26,929	35,551
Changes in operating assets and liabilities			
Restricted cash	–	–	38,819
Accounts receivable	(80,123)	(35,862)	(65,358)
Due from affiliates	(3,027)	(43,842)	(49,860)
Inventories	9,372	11,120	(1,148)
Prepaid expenses and other current assets	(3,769)	8,513	6,211
Accounts payable	18,017	40,874	(40,083)
Other current liabilities	(47,607)	(37,121)	–
Due to affiliates	123,165	26,286	40,850
Total cash provided by operations	473,949	362,191	448,418
CASH USED BY INVESTING ACTIVITIES			
Capital expenditures and leasehold improvements	(320,818)	(178,740)	(260,846)
Proceeds from sale of property and equipment	296	213	394
Total cash used by investing activities	(320,522)	(178,527)	(260,452)
CASH USED BY FINANCING ACTIVITIES			
Members' contributions	–	1,701	4,201
Members' distributions	(181,652)	(90,149)	(131,811)
Minority partner distribution	(253)	(253)	–
Total cash used by financing activities	(181,905)	(88,701)	(127,610)
Net (decrease)/increase in cash and cash equivalents	(28,478)	94,963	60,356
Cash and cash equivalents at beginning of period	1,239,293	1,178,937	1,178,937
Cash and cash equivalents at end of period	$ 1,210,815	$ 1,273,900	$ 1,239,293

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AB CELLULAR HOLDING, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands unless otherwise noted)
(Unaudited)

1. Background and Basis of Presentation

Description of Business

AB Cellular Holding, LLC, a Delaware limited liability company (the "Company"), was formed on November 13, 1998 as a joint venture of BellSouth Cellular Corp. ("BLS") and AT&T Wireless Services ("AWS"). Effective November 13, 1998, AWS and BLS contributed their respective equity interests in Los Angeles Cellular Telephone Company ("LACTC") and Houston Cellular Telephone Company, LP ("HCTC") into the Company. In addition, AWS contributed cash of approximately $1.1 billion to form the Company. This was not a merger, sale, or assignment. Control over the Company resides with a Member Committee which consists of four members, two of which are representatives of BLS and two of which are representatives of AWS. The interest in the limited liability company is effectively 44.385% for BLS and 55.615% for AWS.

The Company was formed by the conversion of LACTC into a limited liability company under Delaware law, at which time the operation of LACTC became a division (the "L.A. Division") of the Company. Under Delaware law, the form of any entity may change (from a general partnership to a limited liability company) but the entity remains the same and all rights of creditors and others against LACTC continue to exist against the Company. New creditors will be affected by the limitation of liability. Prior to November 13, 1998, BLS equity ownership interest was effectively 60.1% and AWS equity ownership interest was effectively 39.9%.

The L.A. Division is engaged principally in the construction and operation of Domestic Public Cellular Radio Telecommunications Service in the Los Angeles, California area. Cellular services provided by the L.A. Division are regulated by the California Public Utilities Commission.

The Company has a wholly owned consolidated subsidiary, L.A. Cellular Long Distance LLC, a limited liability company organized under the laws of Nevada. In addition, the Company has newly formed wholly owned subsidiaries of Houston Cellular Telephone Company, LP, Houston Cellular Holding Co., LLC and Wireless Telecommunications Investment Co., LLC.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and present the operating results and financial position of the Company and its subsidiaries. Significant intercompany balances and transactions have been eliminated.

2. Formation of Subsidiaries

Formation of Houston Cellular Telephone Co., LP

The Company' s wholly owned subsidiary, HCTC, was organized as a limited partnership under the laws of the State of Texas on October 5, 1998 for the purpose of building and operating the Domestic Public Cellular Radio Telecommunications Service in Houston, Texas. The assets and liabilities of HCTC at the date of formation were comprised of the assets and liabilities of Houston Cellular Telephone Company which was owned 43.75% by BLS and 56.25% by AWS. On November 13, 1998, Galveston Mobile Partnership merged into HCTC, and HCTC became the 87.3462% owner of Galveston Cellular Partnership ("GCP").

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On November 13, 1998, the ownership interest in HCTC was revised, resulting in HCTC being 99% owned by the Company and 1% owned by Houston Cellular Holding Company, LLC (“HCHC”).

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AB CELLULAR HOLDING, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS − (Continued)

(Dollars in thousands unless otherwise noted)
(Unaudited)

Formation of Houston Cellular Holding Co., LLC

The Company' s wholly owned subsidiary, HCHC, was organized as a limited liability company under the laws of the State of Texas on October 2, 1998. On November 13, 1998, the Company contributed a 1% ownership interest in HCTC.

Formation of Wireless Telecommunications Investment Co., LLC

The Company' s wholly owned subsidiary, Wireless Telecommunications Investment Co., LLC ("WTIC"), was organized as a limited liability company under the laws of the State of Delaware on October 2, 1998.

3. Significant Accounting Policies

Management' s Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the Company' s opinion, the consolidated financial statements presented for interim periods include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary to fairly state the Company' s financial position and results of its operations and cash flows for those periods. Additionally, the results of the Company' s operations for any interim period are not necessarily indicative of the results of the Company' s operations for any other interim period or for a full fiscal year.

Cash and Cash Equivalents

Cash and cash equivalents consist of liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents are stated at cost, which approximates market value.

Restricted Cash

The California Public Utilities Commission ("CPUC") created California High Cost Fund A & B ("CHCF"), a tax to subsidize the cost of phone services in higher cost areas, and California Teleconnect Fund ("TCF"), a tax to provide discounts in schools, libraries and hospitals on telecommunications usage. These surcharge taxes are collected from wireless subscribers and were held, including interest, by the Company until such time as the CPUC established a fund from which these assessments could be transferred. In November 1999, the CPUC established a fund and an assessment of $60,544, which was transferred, including interest accrued at the seven-day compound yield on taxable money market funds from February 1997.

Inventory

Inventory consists primarily of cellular phones and accessories held for resale stated at the lower of cost (first-in, first-out) or market. Losses on sales of cellular phones are recognized in the period in which sales are made as a cost of acquiring subscribers.

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AB CELLULAR HOLDING, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS − (Continued)

(Dollars in thousands unless otherwise noted)
(Unaudited)

Property and Equipment

Property and equipment is stated on the cost basis. Renewals and betterments that materially extend the life of an asset are capitalized, while maintenance and repair costs are charged to operations when incurred. Upon sale or disposal of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any gains or losses are included in the results of operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Computer software costs are capitalized or expensed in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Intangible Assets

Intangible assets include customer lists, FCC licenses, and goodwill. Customer lists are amortized using the sum-of-the-years digit method. FCC licenses and goodwill are amortized using the straight-line method. The carrying value of intangible assets is periodically reviewed to determine whether such intangibles are fully recoverable from projected net cash flows of the related business units. The amortization periods being used for the intangibles represent the remaining years of their original estimated 40-year life at the formation of the Company.

Valuation of Long-Lived Assets

The Company reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The impairment loss is measured as the amount by which the carrying amount exceeds the fair value of the asset as determined by quoted market prices when available, or the present value of the expected future cash flows.

Revenue Recognition

Revenues are recognized when earned. Access service and bundled service packages are billed monthly in advance and are recognized the following month when services are provided. Revenues for airtime usage are recognized monthly as services are provided.

The revenue and related expenses associated with the sales of wireless handsets and accessories are recognized when the products are delivered and accepted by the customer.

Advertising

Advertising costs are expensed as incurred. The advertising expense for the year ended December 31, 1999 was $44,592.

Income Taxes

The Company itself does not provide for federal income tax, as the Company is a limited liability company. The income and expenses are accordingly passed on to its members. Due to the consolidation of its subsidiaries which are required to file and pay federal and state income taxes, the financial statements reflect the application of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes" for the applicable subsidiaries. In accordance with SFAS No. 109, the consolidated balance sheet reflects deferred tax balances

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associated with the anticipated tax impact of future income or deductions implicit in the consolidated balance sheet in the form of temporary differences. Temporary differences

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AB CELLULAR HOLDING, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS − (Continued)

(Dollars in thousands unless otherwise noted)
(Unaudited)

primarily result from the use of accelerated methods and shorter lives in computing depreciation for tax purposes.

Risks and Uncertainties

The Company participates in a volatile industry with a concentration of customers in two geographic areas that are characterized by industry-wide competition for market share resulting in aggressive pricing practices, continually changing customer demand patterns, growing competition and rapid technological development. The Company' s operating results could be adversely affected should the Company be unable to anticipate customer demand accurately, to maintain short design cycles while meeting evolving industry performance standards, to manage its product transitions and inventory levels, to distribute its products quickly in response to customer demand, to differentiate its products from those of its competitors, or to compete successfully in the market for its new products. Significant numbers of components are purchased from single sources due to technology, availability, price, quality, or other considerations.

The Company provides cellular service and sells cellular telephones to a diversified group of customers within concentrated geographical areas. Credit evaluations of customers are performed by the Company, and collateral is generally not required. Credit related losses are provided for as estimated by the Company.

Recent Accounting Pronouncements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101, which requires adoption by the end of fiscal year 2000, provides guidance on the recognition, presentation, and disclosure of revenue in the financial statements. The adoption of this statement on January 1, 2001 did not have a significant effect on its financial condition or results of operations.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivatives and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The adoption of this statement on January 1, 2001 did not have a significant effect on its financial condition or results in operations.

4. Property and Equipment

Property and equipment is summarized as follows:

	Estimated Depreciable Lives (In Years)	As of December 31 1999
Land and improvements	3-10	$ 41,762
Cellular equipment	7-10	1,217,738
Noncellular equipment	3-5	121,411
Other property, plant and equipment	3-5	70,542
Construction in progress		71,661

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		1,523,114
Less: Accumulated depreciation		(710,743)
Property and equipment, net	$	812,371

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AB CELLULAR HOLDING, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS − (Continued)

(Dollars in thousands unless otherwise noted)
(Unaudited)

5. Intangible Assets

Intangible assets are summarized as follows:

	Estimated Amortizable Lives (In Years)	As of December 31 1999
Goodwill	25-30	$ 316,534
Licenses	30-35	2,245,094
Customer lists	5	26,106
		2,587,734
Less: Accumulated amortization		(104,972)
Intangibles, net		$ 2,482,762

6. Other Current Liabilities

Other current liabilities are summarized as follows:

	As of December 31, 1999
Accrued benefits	$ 48,678
Accrued taxes	5,470
Commissions payable	5,110
Deferred income	12,081
Other	30,334
	$ 101,673

7. Commitments and Contingencies

Lease Commitments

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During the period ended December 31, 1999, the Company leased office space, retail store locations, cell sites, and certain equipment. Several of these leases contained fixed escalation clauses. Rent expense for these leases has been calculated on a straight-line basis over the term of the leases. Total rent expense under these leases was $32,960 during the year ended December 31, 1999.

Future minimum rental payments required under operating leases for primarily real estate having initial or remaining noncancelable lease terms in excess of one year as of December 31, 1999 are as follows:

2000	$ 30,950
2001	23,644
2002	17,973
2003	13,146
2004	10,206
Thereafter	56,136
	$ 152,055

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AB CELLULAR HOLDING, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS − (Continued)

(Dollars in thousands unless otherwise noted)
(Unaudited)

The real estate leases permit renewals at various intervals with provisions for increased rentals of each renewal.

Contingencies

The Company is currently named as a defendant in the class actions of Garabedian, et al. vs. LASMSA Limited Partnership, et al., Richard W. Thomas v. Los Angeles Cellular Telephone Company, et al. and Eurus Cady v. Los Angeles Cellular Corp., all which seek damages for alleged conspiracy to fix prices of retail and wholesale service. The Orange County Superior Court approved a settlement and entered a final judgment on May 20, 1998. The L.A. Division has recorded a liability of $8,300 as of September 30, 2000 and December 31, 1999 based upon the final judgment referenced above. Three objectors to the settlement have appealed the judgment.

The Company and its subsidiaries are a party to various legal proceedings of a nature considered normal to its business. The Company believes it has adequate legal defenses with respect to each of the suits and intends to vigorously defend against the actions. However, it is reasonably possible that these cases could result in outcomes unfavorable to the Company. The Company currently believes that the amount of the ultimate probable loss would not have a material adverse effect on the Company' s financial position, results of operations or cash flows.

8. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Accounts receivable and accounts payable − The carrying amount is a reasonable estimate of fair value because of the short maturity of these instruments.

9. Benefits Plans

The Company sponsors defined contribution 401(k) and profit sharing plans in which substantially all employees are eligible to participate upon completion of six months of service. The 401(k) plan permits eligible employees to contribute a portion of their basic compensation to the plan on a before tax basis. The Company makes matching contributions equal to 100% of employee before-tax contributions up to 2% of their basic compensation, and 50% of employee before-tax contributions up to 6%. The Company' s matching contributions charged to expense amounted to $3,685 for the year ended December 31, 1999.

The profit-sharing plan allows the Company to make an annual discretionary profit-sharing contribution based on the Company' s overall performance and profitability. Qualified employees receive a percentage of their eligible annual earnings paid in one single contribution after the fiscal year end. The Company elected to make a discretionary profit sharing contribution of $4,371 for the year ended December 31, 1999.

In January 1997, HCTC provided a phantom stock option plan (the "Plan") for officers, directors and certain employees. The Plan required that 50% of the value of the option award be provided in AT&T Corporation ("AT&T") stock units and 50% of the value be issued in BellSouth Corporation ("BLS") stock units. In January 1997, the Plan, which vests over a period of three years, provided 29,000 and 58,000 of AT&T and BLS stock units, respectively.

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In January 1998, the Plan provided 42,750 and 85,500 of AT&T and BLS stock units, respectively, which also vest over a period of three years. The shares have been adjusted for stock splits.

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AB CELLULAR HOLDING, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS − (Continued)

(Dollars in thousands unless otherwise noted)
(Unaudited)

In 1998, LACTC issued a total of 485 AT&T and BLS phantom stock (“PS”) options of which 259 were effective January 1, 1998 and 226 were effective January 1, 1997 (as adjusted for stock splits). In 1999, no PS options were issued. The PS options vest over a period of three years. Employees may exercise their options upon vesting for up to five years after the date of grant. Upon exercise, participants are paid based on the excess of the New York Stock Exchange’ s previous day closing price over the grant option price.

Total employee benefit costs related to the HCTC and L.A. Division’ s phantom stock options were $4,205 which were incurred and expensed during the year ended December 31, 1999.

HCTC established an employee bonus plan based on the Company achieving its objectives for business drivers such as revenues, net income, customer satisfaction, and churn, as well as employees achieving at least a 2.00 rating on their individual annual performance review. Each employee’ s bonus opportunity is equal to a fixed percentage of his/her annual base salary, for which the percentage is determined, based on the employee’ s position grade. The plan is available to all regular full-time employees and those part-time employees regularly scheduled to work at least 20 hours per week. Payment of bonuses are made after the fiscal year end and after the performance review process, with the exception of directors and officers for which payments are made on a quarterly basis. The Company’ s bonus expenses were approximately $2,819 for the year ended December 31, 1999.

HCTC has a deferred compensation plan which provides certain eligible employees a deferred cash payment which is earned after a specified period of continuous service since the award date. The deferred compensation is accrued but unfunded, and amounted to approximately $752 as of December 31, 1999.

10. Related Party Transactions

The Company purchases equipment and services from organizations that are affiliated with the Company. Such equipment purchases amounted to $122,152 and $75,453, respectively, and the purchases of such services amounted to $139,162 and $59,010 during the nine months ended September 30, 2000 and 1999, respectively. Such equipment purchases amounted to $130,294 and the purchases of such services amounted to $81,683, during the year ended December 31, 1999. Accounts payable to these related parties were $164,978 and $41,789 at September 30, 2000 and December 31, 1999, respectively.

In addition, the Company provides cellular service to these related parties. Revenues from these services amounted to $86,492 and $83,405 for the nine months ended September 30, 2000 and 1999, respectively, and $107,677 for the year ended December 31, 1999. Accounts receivable from these related parties were $56,424 and $53,397 at September 30, 2000 and December 31, 1999, respectively.

The Company has also entered into an agreement with its members whereby the member responsible for the management of a division of the Company is committed to make contributions to or receive distributions from the Company for the deficiency or excess of certain quarterly financial targets. Total contributions from the members related to these agreements were $42,051 and $30,438 for the nine months ended September 30, 2000 and 1999, respectively, of which $87,666 and $28,737 were receivable at September 30, 2000 and 1999, respectively. Total contributions from the members related to these agreements for the year ended December 31, 1999 were $47,315, of which $45,615 was unpaid at December 31, 1999. Total distributions recorded to members related to these agreements were $3,289 and $0 for the nine months ended September 30, 2000 and 1999, respectively, which were payable at September 30, 2000 and 1999, respectively. Total distributions recorded to members related to these agreements for the year ended December 31, 1999 were $1,442, which were payable at December 31, 1999.

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AB CELLULAR HOLDING, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS − (Continued)

(Dollars in thousands unless otherwise noted)
(Unaudited)

11. Deferred Income Taxes

Significant components of the deferred tax assets and liabilities as of December 31, 1999 are as follows:

Deferred tax liability		
Property, plant and equipment	$	(1,532)
Total deferred tax liability		(1,532)
Deferred tax assets		
Allowance for doubtful accounts		40
Total deferred tax assets		40
Net deferred tax liability	$	(1,492)

For the year ended December 31, 1999, $1,750 in federal income tax was paid for GCP.

12. Subsequent Events

During 1999, the Los Angeles operating division was audited by the City of Los Angeles, relating to claims that the Los Angeles operating division failed to collect utility user taxes from residents in various Los Angeles communities between September 1995 and the present. On April 24, 2000, an official assessment, including interest and penalties, was made in the amount of $7,450. In February 2001, the city administrative panel of the City of Los Angeles affirmed the city auditor' s assessment relating to the alleged underpayment of taxes by the Los Angeles operating division. As a result, the Company must pay $8,141 to the City of Los Angeles. The Company has paid the entire assessment in March 2001, and it will seek a hearing for reversal or a refund of a portion of the assessment.

In December 2000, BLS exercised its option to redeem AWS' s 55.615% interest in the Company as part of the joint venture agreement described in Note 1, by distributing to AWS the L.A. Division cellular business. As of December 31, 2000, BLS held the remaining assets of the Company.

In early 2001, BLS contributed its interest in the Company to Cingular Wireless LLC, a joint venture of BellSouth and SBC Communications.

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REPORT OF INDEPENDENT ACCOUNTANTS ON

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors

of AT&T Wireless Services, Inc.

Our audits of the consolidated financial statements referred to in our report dated January 29, 2002, except for Note 20, as to which the date is March 7, 2002, appearing in this Annual Report on Form 10-K also included an audit of the financial statement schedule listed in the index appearing under Item 8. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICEWATERHOUSECOOPERS LLP

Seattle, Washington

January 29, 2002

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AT&T WIRELESS SERVICES, INC.

AND SUBSIDIARIES

SCHEDULE II − VALUATION AND QUALIFYING ACCOUNTS

(In millions)

Col. A	Col. B	Col. C	Col. D	Col. E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Year 2001				
Allowances for doubtful accounts	$ 193	$ 573	$ (527)(a)	$ 239
Accrued disposal costs for discontinued operations	$ −	$ 258	$ (30)(b)	$ 228
Year 2000				
Allowances for doubtful accounts	$ 130	$ 314	$ (251)(a)	$ 193
Year 1999				
Allowances for doubtful accounts	$ 74	$ 200	$ (144)(a)	$ 130

(a) Amounts written off as uncollectible, net of recoveries.

(b) Represents operational losses and contractual commitments associated with the fixed wireless business for the period from the measurement date through December 31, 2001.

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Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

PART III

Item 10. ***Executive Officers and Directors of the Company***

The executive officers of the Company as of March 22, 2002, are as follows:

John D. Zeglis is our Chairman of the Board, Chief Executive Officer and President. He has been Chief Executive Officer of our business since 1999, and our Chairman and President since 2001. From 1997 to 1999, Mr. Zeglis served as President of AT&T, and from June to November 1997, he served as its Vice Chairman. He was AT&T' s Senior Executive Vice President and General Counsel from 1996 to 1997. Mr. Zeglis is a director of Helmerich and Payne Inc. and Georgia-Pacific Corporation. Mr. Zeglis is 54 years old.

Mohan S. Gyani is our President of AT&T Mobility Services, and also is an Executive Vice President, positions he has held since 2001. He was President and Chief Executive Officer, AT&T Wireless Group from 2000 to 2001. From 1995 to 1999, Mr. Gyani served as Executive Vice President and Chief Financial Officer of Airtouch Communications (now part of Vodafone Group), a wireless communications provider. Mr. Gyani is 50 years old.

Michael G. Keith is our President of AT&T Wireless TeleCorp PCS, a position he has held since March 2002. Prior to that he was President, AT&T Fixed Wireless Services, a position he held since 1999. He also is one of our Executive Vice Presidents, a position he has held since 2001. From 1998 to 1999, Mr. Keith served as President, AT&T Business Services. Prior to that, he was Vice President & General Manager, AT&T Global Services from 1997 to 1998 and Vice President and General Manager, AT&T Business Customer Care from 1996 to 1997. Mr. Keith is 53 years old.

Jordan M. Roderick is our President, International, and one of our Executive Vice Presidents, positions he has held since 2000. From 1998 to 2000, Mr. Roderick served as Executive Vice President, Wireless Technology and Products. He was Executive Vice President, National Operations, in 1997 and prior to that served as President, Messaging Division, in 1996. Mr. Roderick is 44 years old.

Andre Dahan is our President of Mobile Multimedia Services, and also is one of our Executive Vice Presidents, positions he has held since 2001, Mr. Dahan previously served as one of our Senior Vice Presidents in 2001. From 2000 to 2001, Mr. Dahan served as Senior Vice President, Electronic Commerce of The Dun & Bradstreet Corporation, a worldwide provider of business information and related decision-support services, and from 1999 to 2001, served as President of eccelerate.com, Inc. (a subsidiary of Dun & Bradstreet). Prior to that, he served as President of Dun & Bradstreet, North America and Global Accounts, from 1999 to 2000, and as President of Dun & Bradstreet U.S. from 1997 to 1999. From 1996 to 1997, Mr. Dahan was Senior Vice President of Worldwide Operations of Sequent Computer Systems, Inc., a provider of high- and mid-range servers and related products. Mr. Dahan is 53 years old.

Robert H. Johnson is our Executive Vice President of National Wireless Operations, a position he has held since 1999. In 1999, Mr. Johnson also served as Senior Vice President, National Markets. Prior to that, he was President, Western Region in 1998, and from 1996 to 1998 was President, Aviation Communications Division. Mr. Johnson is 47 years old.

Adele Ambrose is our Executive Vice President of Public Relations and Investor Communications, a position she has held since 2001. Prior to that, she served as Vice President, Public Relations of AT&T, from 1997 to 2001. Prior to 1997, Ms. Ambrose served in various capacities at AT&T, including a number of senior management positions. Ms. Ambrose is 45 years old.

Joseph McCabe Jr. is our Chief Financial Officer and one of our Executive Vice Presidents, positions he has held since 2001. From 1999 to 2001, Mr. McCabe served as Vice President and Chief Financial Officer. From 1997 to 1999, Mr. McCabe served as Vice President and Chief Financial Officer, AT&T Consumer,

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Local Services and AT&T Wireless Services. Prior to that he served as Vice President and Chief Financial Officer, International Operations of AT&T, from 1996 to 1997. Mr. McCabe is 51 years old.

G. Michael Sievert is our Executive Vice President of Marketing, a position he has held since joining the Company in March 2002. Prior to joining the Company, Mr. Sievert served as Chief Global Marketing and Sales Officer from 2000 to 2001, Vice President and General Manager, Consumer Markets, from 1999 to 2000, and Vice President, Marketing, from 1998 to 1999, at E* Trade Group, Inc., a provider of online personal financial services. From 1996 to 1998, he was Program Director, Worldwide Product Market, Personal Systems Group, at International Business Machines Corporation (IBM), a provider of advanced information technology. Mr. Sievert is 32 years old.

Michael R. Benson is our Chief Information Officer and one of our Executive Vice Presidents, positions he has held since 2000 and 2001, respectively. He previously served as one of our Senior Vice Presidents from 2000 to 2001. From 1998 to 2000, Mr. Benson served as Vice President, Retail and Distribution systems. Prior to that he was Vice President and Chief Information Officer, Messaging Division, from 1995 to 1998. Mr. Benson is 47 years old.

Lewis M. Chakrin is our Executive Vice President, Corporate Strategy and Business Development, a position he has held since 2001. He previously served as our Senior Vice President and Chief Strategy Officer from 2000 to 2001. From 1998 to 2000, Mr. Chakrin served as Vice President, Product Management/ Consumer Services of AT&T. Prior to that he was Vice President, AT&T Strategic Business Development, from 1996 to 1998. Mr. Chakrin is 53 years old.

William W. Hague is our Executive Vice President, International Roaming and Development, a position he has held since 2001. He previously served as our Senior Vice President, Business Development and Acquisition, from 1997 to 2001. From 1995 to 1997, Mr. Hague served as Vice President, Acquisitions and Corporate Development. Mr. Hague is 46 years old.

Gregory P. Landis is our General Counsel, a position he has held since 1995, and also is our Corporate Secretary and one of our Executive Vice Presidents, positions he has held since 2001. From 1995 to 2001, he also served as one of our Senior Vice Presidents. Mr. Landis is 51 years old.

D. Jane Marvin is our Executive Vice President, Human Resources, a position she has held since 2001. Prior to that, Ms. Marvin served as Executive Vice President of Human Resources for Covad Communications Group Inc., a high speed internet connection provider, from 1999 to 2001. Ms. Marvin served as Vice President, Human Resources for Ameritech, General Business Services from 1997 to 1999 and from 1995 to 1999 served as Director, Leadership and Executive Development for Ameritech Institute. Ms. Marvin is 43 years old.

Roderick D. Nelson is our Chief Technology Officer and one of our Executive Vice Presidents, positions he has held since 1998 and 2001, respectively. He previously served as one of our Senior Vice Presidents from 1998 to 2001. From 1993 to 1998, Mr. Nelson served as Vice President, Technology Development. Mr. Nelson is 42 years old.

Philip H. Osman is our Executive Vice President of Mobile Multimedia Services, a position he has held since 2001. In 2000, Mr. Osman served as Senior Vice President, Customer Platform Development, and later became our Senior Vice President and Chief Administrative Officer. In 1999, Mr. Osman served as Senior Vice President, Consumer Franchise Operations of AT&T, and Vice President, Consumer Services of AT&T, in 1998. Prior to that, he was Vice President, Business Planning and Operations of AT&T, from 1995 to 1997. Mr. Osman is 47 years old.

Gregory L. Slemons is our Executive Vice President of Wireless Network Services, a position he has held since 2001. He previously served as our Senior Vice President, Wireless Network Services, from 1997 to 2001. Prior to that, Mr. Slemons served as Vice President, Technical Services, Central Region, from 1995 to 1997. Mr. Slemons is 48 years old.

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Other information called for by Part III, Item 10, involving the identification and election of directors, is included in our Proxy Statement relating to our annual meeting of shareholders to be held on May 16, 2002, and is incorporated herein by reference.

Item 11. ***Executive Compensation***

Information called for by Part III, Item 11, is included in our Proxy Statement relating to our annual meeting of shareholders to be held on May 16, 2002, and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

Information called for by Part III, Item 12, is included in our Proxy Statement relating to our annual meeting of shareholders to be held on May 16, 2002, and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

Information called for by Part III, Item 13, is included in our Proxy Statement relating to our annual meeting of shareholders to be held on May 16, 2002, and is incorporated herein by reference.

PART IV

Item 14. ***Exhibits, Financial Statements, Schedules and Reports on Form 8-K***

(a) Documents filed as part of this Report:

(1) Financial Statements − consolidated financial statements of AT&T Wireless Services, Inc. and subsidiaries as set forth under Item 8 of this Report.

AT&T Wireless Services, Inc. and Subsidiaries

Report of Management

Report of Independent Accountants

Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999

Consolidated Balance Sheets at December 31, 2001 and 2000

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

AB Cellular Holding, LLC

Unaudited Consolidated Statements of Income for the nine months ended September 30, 2000 and 1999, and the year ended December 31, 1999

Unaudited Consolidated Balance Sheets at September 30, 2000 and December 31, 1999

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Unaudited Consolidated Statements of Changes in Members' Capital for the nine months ended September 30, 2000 and 1999, and the year ended December 31, 1999

Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2000 and 1999, and the year ended December 31, 1999

Unaudited Notes to Consolidated Financial Statements

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(2) Financial Statement Schedule as set forth under Item 8 of this Report.

AT&T Wireless Services, Inc. and Subsidiaries

Report of Independent Accountants on Financial Statement Schedule

Schedule II − Valuation and Qualifying Accounts

The independent accountants' reports with respect to the financial statements and the financial statement schedule of AT&T Wireless Services, Inc. and subsidiaries appear on pages 69 and 120, respectively of this Report. All other financial statements and schedules not listed are omitted because either they are not applicable or not required, or the required information is included in the consolidated financial statements.

(3) Exhibits. See Exhibit Index.

(b) Reports on Form 8-K:

(1) Report on Form 8-K dated October 12, 2001, filed on October 12, 2001. The Company disclosed that it and a wholly-owned subsidiary of the Company entered into an agreement and plan of merger to acquire TeleCorp PCS, Inc.

(2) Report on Form 8-K dated December 12, 2001, filed on December 21, 2001. The Company disclosed the approval of its Board of Directors to exit the Company's fixed wireless business. The Report included pro forma financial statements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

AT&T WIRELESS SERVICES, INC.

Date: March 28, 2002	By: /s/ JOHN D. ZEGLIS -- John D. Zeglis Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Company and in the capacities indicated below on the 28th day of March, 2002.

Signature	Title
/s/ JOHN D. ZEGLIS John D. Zeglis	Chairman of the Board, President and Chief Executive Officer *(Principal Executive Officer)*
/s/ JOSEPH MCCABE JR. Joseph McCabe Jr.	Executive Vice President, Chief Financial Officer *(Principal Financial and Accounting Officer)*
/s/ WALTER Y. ELISHA Walter Y. Elisha	Director
/s/ DONALD V. FITES Donald V. Fites	Director
/s/ RALPH S. LARSEN Ralph S. Larsen	Director
/s/ JOHN W. MADIGAN John W. Madigan	Director
/s/ NOBUHARU ONO Nobuharu Ono	Director
/s/ WAYNE PERRY Wayne Perry	Director
/s/ A. BARRY RAND A. Barry Rand	Director
/s/ CAROLYN M. TICKNOR Carolyn M. Ticknor	Director

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INDEX TO EXHIBITS

Exhibit No.	Description
2.1	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 (incorporated by reference to Exhibit 2.2 to Schedule 13D, Amendment No. 5, filed on October 9, 2001 by AT&T Wireless with respect to TeleCorp (Commission File No. 000-31941)).
3.1	Restated Certificate of Incorporation of the Registrant, as amended to date (filed as Exhibit 3.1 to Registration Statement on Form S-4 (Commission file No. 333-66592), filed August 2, 2001, and incorporated herein by reference).
3.2	Certificate of Designations of Series A Junior Participating Preferred Stock of the Registrant (filed as Exhibit 3.2 to Registration Statement on Form S-4 (Commission File No. 333-66592), filed August 2, 2001).
3.3	Restated By-Laws of the Registrant, as amended to date.
4.1	Specimen certificate for shares of common stock, par value $0.01 per share, of the Registrant (filed as Exhibit 4.1 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 20, 2001, and incorporated herein by reference).
4.2	Specimen certificate for warrants of the Registrant (filed within Exhibit 10.10 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 11, 2001, and incorporated herein by reference).
4.3	Specimen certificate for 7.350% Senior Notes due March 1, 2006, 7.875% Senior Notes due March 1, 2011 and 8.750% Senior Notes due March 1, 2031 (filed as Exhibit A within Exhibit 4.5 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 11, 2001, and incorporated herein by reference).
4.4	Form of Preferred Stock Purchase Rights Agreement between AT&T Wireless Services, Inc. and Equiserve Trust Company, N.A., as rights agent (filed as Exhibit 4.4 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 20, 2001, and incorporated herein by reference).
4.5	Indenture, dated as of March 6, 2001, between AT&T Wireless Services, Inc. and The Bank of New York, as trustee (filed as Exhibit 4.5 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 11, 2001, and incorporated herein by reference).
4.6	Form of Exchange Note due 2006 (filed as Exhibit 4.4 to Registration Statement on Form S-4 (Commission file No. 333-67068), filed August 8, 2001, and incorporated herein by reference).
4.7	Form of Exchange Note due 2011 (filed as Exhibit 4.5 to Registration Statement on Form S-4 (Commission file No. 333-67068), filed August 8, 2001, and incorporated herein by reference).
4.8	Form of Exchange Note due 2031 (filed as Exhibit 4.6 to Registration Statement on Form S-4 (Commission file No. 333-67068), filed August 8, 2001, and incorporated herein by reference).
10.1	Separation and Distribution Agreement by and between AT&T Corp. and AT&T Wireless Services, Inc., dated as of June 4, 2001 (filed as Exhibit 10.1 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 21, 2001, and incorporated herein by reference).
10.2	Amended and Restated Tax Sharing Agreement by and between AT&T Corp. and AT&T Wireless Services, Inc., dated as of June 4, 2001 (filed as Exhibit 10.2 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 21, 2001, and incorporated herein by reference).
10.3	Employee Benefits Agreement by and between AT&T Corp. and AT&T Wireless Services, Inc., dated as of June 7, 2001 (filed as Exhibit 10.3 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 21, 2001, and incorporated herein by reference).
10.4	Brand License Agreement by and between AT&T Corp. and AT&T Wireless Services, Inc., dated as of June 4, 2001 (filed as Exhibit 10.4 to Registration Statement on Form S 1/ A (Commission file No. 333-59174), filed June 11, 2001, and incorporated herein by reference).
10.5	Agency and Referral Agreement by and among AT&T Corp. and AT&T Wireless Services, Inc., dated as of June 5, 2001 (filed as Exhibit 10.5 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 11, 2001, and incorporated herein by reference).

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Exhibit No.	Description
10.6	Intellectual Property Agreement by and between AT&T Corp. and AT&T Wireless Services, Inc., effective as of July 9, 2001 (filed as Exhibit 10.6 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 11, 2001, and incorporated herein by reference).
10.7	AT&T Master Carrier Agreement by and between AT&T Corp. and AT&T Wireless Services, Inc. (filed as Exhibit 10.7 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 11, 2001, and incorporated herein by reference).
10.8	Registration Rights Agreement by and among AT&T Corp. and AT&T Wireless Services, Inc., dated as of June 4, 2001 (filed as Exhibit 10.8 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 21, 2001, and incorporated herein by reference).
10.9	Amended and Restated Investor Agreement by and among AT&T Corp., AT&T Wireless Services, Inc. and NTT DoCoMo, Inc., dated December 20, 2001 (filed as Exhibit 6 to Schedule 13D/A filed December 31, 2001 and by NTT DoCoMo, Inc. incorporated herein by reference).
10.10	Warrant Agreement by and among AT&T Wireless Services, Inc., NTT DoCoMo, Inc. and AT&T Corp. dated December 20, 2000 (filed as Exhibit 10.3 to the Current Report on Form 8-K for AT&T Corp. filed December 22, 2000 and incorporated herein by reference).
10.11	Registration Rights Agreement between AT&T Wireless Services, Inc., AT&T Corp. and the Initial Purchasers, dated March 1, 2001 (filed as Exhibit 10.11 to Registration Statement on Form S-1/A (Commission file No. 333-59174), filed June 11, 2001, and incorporated herein by reference).
10.12	Second Amended and Restated Limited Liability Company Agreement of Alaska Native Wireless, L.L.C. among AT&T Wireless PCS Interests, LLC, AT&T Wireless Services, Inc., Council Tree Alaska Native Wireless, L.L.C. and certain other parties, dated as of February 8, 2001.
10.13	AT&T Wireless Services, Inc. 2001 Long Term Incentive Plan (filed as Exhibit 99.1 to Registration Statement on Form S-8 (Commission file No. 333-64484), filed July 3, 2001, and incorporated herein by reference).
10.14	AT&T Wireless Services, Inc. Employee Stock Purchase Plan (filed as Exhibit 99.2 to Registration Statement on Form S-8 (Commission file No. 333-64484), filed July, 2001, and incorporated herein by reference).
10.15	AT&T Wireless Services, Inc. Adjustment Plan (filed as Exhibit 99.3 to Registration Statement on Form S-8 (Commission file No. 333-64484), filed July 3, 2001, and incorporated herein by reference).
10.16	Employment Agreement between AT&T Wireless Services, Inc. and Mohan S. Gyani, dated June 20, 2001 (filed as Exhibit 10.16 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 21, 2001, and incorporated herein by reference).
10.17	Agreement to Forego Compensation between AT&T Wireless Services, Inc. and Mohan S. Gyani, dated October 2, 2001.
10.18	Special Retention Agreement between AT&T Wireless Services, Inc. and Michael G. Keith, dated January 3, 2000 (filed as Exhibit 10.17 to Registration Statement on Form S-1/ A (Commission file No. 333-59174), filed June 11, 2001, and incorporated herein by reference).
10.19	Special Retention Agreement between AT&T Wireless Services and Robert H. Johnson, dated June 29, 2000 (filed as Exhibit 10.18 to Registration Statement on Form S-1/A (Commission file No. 333-59174), filed June 11, 2001, and incorporated herein by reference).
10.20	Form of Commercial Paper Dealer Agreements, each dated as of June 13, 2001, between AT&T Wireless Services, Inc. and each of five dealers (filed as Exhibit 10.19 to Registration Statement on Form S-1/A (Commission File No. 333-59174), filed June 20, 2001, and incorporated herein by reference).
10.21	Master Commercial Paper Note of the Registrant, dated June 13, 2001 (filed as Exhibit 10.20 to Registration Statement on Form S-1/A (Commission File No. 333-59174), filed June 20, 2001, and incorporated herein by reference).
21.1	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP.

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Exhibit 3.3

AMENDED AND RESTATED

BY-LAWS

OF

AT&T WIRELESS SERVICES, INC.

Incorporated under the Laws of the State of Delaware

ARTICLE I

Offices And Records

Section 1.1. Delaware Office. The principal office of the Corporation in the State of Delaware shall be located in the City of Wilmington, County of New Castle, and the name and address of its registered agent is The Corporation Trust Company.

Section 1.2. Other Offices. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

Section 1.3. Books and Records. The books and records of the Corporation may be kept outside the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

ARTICLE II

Stockholders

Section 2.1. Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held on such date and at such time as may be fixed by resolution of the Board of Directors.

Section 2.2. Special Meeting. Except as otherwise required by law or by any Preferred Stock Designation (as defined in the Corporation's Certificate of Incorporation), special meetings of stockholders of the Corporation for any purpose or purposes may be called only by (i) the Board of Directors pursuant to a resolution stating the purpose or purposes thereof approved by a majority of the total number of directors which the Corporation would have if there were no vacancies (the "Whole Board"), or (ii) the Chairman of the Board of Directors of the Corporation. No business other than that stated in the notice shall be transacted at any special meeting.

Section 2.3. Place of Meeting. The Board of Directors or the

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Chairman of the Board, as the case may be, may designate the place of meeting for any annual meeting or for any special meeting of the stockholders. If no designation is so made, the place of meeting shall be the principal office of the Corporation.

Section 2.4. Notice of Meeting. Written or printed notice, stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called, shall be delivered by the Corporation not less than 10 calendar days nor more than 60 calendar days before the date of the meeting, either personally or by mail, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at such person's address as it appears on the stock transfer books of the Corporation. Such further notice shall be given as may be required by law. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Section 6.4 of these By-Laws. Any previously scheduled meeting of the stockholders may be postponed, and any special meeting of the stockholders may be canceled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

Section 2.5. Quorum and Adjournment; Voting. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the voting power of all outstanding shares of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. The Chairman of the meeting may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 2.6. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing (or in such manner prescribed by the General Corporation Law of the State of Delaware (the "DGCL")) by the stockholder, or by such person's duly authorized attorney in fact.

Section 2.7. Notice of Stockholder Business and Nominations.

(A) Annual Meetings of Stockholders.

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(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting pursuant to Section 2.4 of these By-Laws, (b) by or at the direction of the Board of Directors upon recommendation of the Governance Committee or otherwise or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided

for in this By-Law, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this By-Law.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause of paragraph (A)(1) of this By-Law, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th calendar day nor earlier than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 calendar days before or more than 60 calendar days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th calendar day prior to such annual meeting and not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the calendar day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of

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the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this By-Law to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this By-Law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the

Corporation not later than the close of business on the 10th calendar day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting under Section 2.4 of these By-Laws. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors, (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this By-Law, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this By-Law. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting pursuant to such clause (b), if the stockholder's notice required by paragraph (A)(2) of this By-Law shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th calendar day prior to such special meeting and not later than the close of business on the later of the 90th calendar day prior to such special meeting or the 10th calendar day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(C) General.

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(1) Only such persons who are nominated in accordance with the procedures set forth in this By-Law shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-Law. Except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this By-Law and, if any proposed nomination or business is not in compliance with this By-Law, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this By-Law, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this By-Law, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-Law. Nothing in this By-Law shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under an applicable Preferred Stock Designation (as defined in the Corporation's Certificate of Incorporation).

Section 2.8. Procedure for Election of Directors; Required Vote. Election of directors at all meetings of the stockholders at which directors are to be elected shall be by ballot, and, subject to the rights of the holders of any series of Preferred Stock to elect directors under an applicable Preferred Stock Designation, a plurality of the votes cast thereat shall elect directors. Except as otherwise provided by law, the Certificate of Incorporation, Preferred Stock Designation, or these By-Laws, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

Section 2.9. Inspectors of Elections; Opening and Closing the Polls. The Board of Directors by resolution shall appoint, or shall authorize an officer of the Corporation to appoint, one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written

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report thereof. One or more persons may be designated as alternate inspector(s) to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the Chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging such person's duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such person's ability. The inspector(s) shall have the duties prescribed by law. The Chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

Section 2.10. No Stockholder Action by Written Consent. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

ARTICLE III

Board of Directors

Section 3.1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities by these By-Laws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

Section 3.2. Number, Election and Tenure. (a) Except as otherwise provided in any Preferred Stock Designation relating to the rights of the holders of any class or series of Preferred Stock to elect additional directors under specified circumstances, the number of the directors of the Corporation shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Whole Board but such number shall not be less than three. The directors, other than those who may be elected by the holders of any class or series of Preferred Stock having the right under a Preferred Stock Designation to elect additional directors under specified circumstances, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2002, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2003, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2004, with each class to hold office until its successor is duly elected and qualified. At each succeeding annual meeting of stockholders, directors elected to succeed those directors whose terms then expire shall be elected for a term

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of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until such person's successor shall have been duly elected and qualified.

Section 3.3. Regular Meetings. The Board of Directors may, by resolution, provide the time and place for the holding of regular meetings without notice other than such resolution.

Section 3.4. Special Meetings. Special meetings of the Board of Directors shall be called at the request of the Chairman of the Board, the President or a majority of the Board of Directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of the meetings.

Section 3.5. Notice. Notice of any special meeting of directors shall be given to each director at such person's business or residence in writing by hand delivery, first-class or overnight mail or courier service, telegram or facsimile transmission, or orally by telephone. If mailed by first-class mail, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at

least 5 calendar days before such meeting. If by telegram, overnight mail or courier service, such notice shall be deemed adequately delivered when the telegram is delivered to the telegraph company or the notice is delivered to the overnight mail or courier service company at least 24 hours before such meeting. If by facsimile transmission, such notice shall be deemed adequately delivered when the notice is transmitted at least 12 hours before such meeting. If by telephone or by hand delivery, the notice shall be given at least 12 hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice of such meeting, except for amendments to these By-Laws, as provided under Section 8.1. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting either before or after such meeting.

Section 3.6. Action by Consent of Board of Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or writings or by electronic transmission or transmissions, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee.

Section 3.7. Conference Telephone Meetings. Members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar

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communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 3.8. Quorum. Subject to Section 3.9, a whole number of directors equal to at least a majority of the Whole Board shall constitute a quorum for the transaction of business, but if at any meeting of the Board of Directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 3.9. Vacancies. Except as otherwise provided in any Preferred Stock Designation relating to the rights of the holders of any class or series of Preferred Stock Designation to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, and not by stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been duly elected and qualified. No

decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3.10. Committees. (a) The Board of Directors may, by resolution adopted by a majority of the Whole Board, designate one or more committees, each committee to consist of three or more directors of the Corporation. Any such committee may to the extent permitted by law exercise such powers and shall have such responsibilities as shall be specified in the designating resolution. Each committee shall keep written minutes of its proceedings and shall report such proceedings to the Board when required. Such committees may include:

(b) Governance Committee. The Board of Directors shall appoint a Governance Committee consisting of not less than three directors, which committee shall recommend candidates for nomination to the Board of Directors or to fill vacancies and make recommendations regarding the structure and policies of the Board of Directors and the Corporation's committees and other corporate governance matters.

(c) Audit Committee. The Board of Directors shall appoint an Audit

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Committee consisting of not less than three directors, none of whom shall be officers, which committee shall, among other things, regularly review the adequacy of the Corporation's internal financial controls, review with the Corporation's independent public accounts the annual audit and other financial statements, and recommend the selection of the Corporation's independent public accountants.

(d) Compensation Committee. The Board of Directors shall appoint a compensation committee consisting of not less than three directors, none of whom shall be officers, which committee may, among other things, recommend to the Board of Directors the compensation of directors and those officers of the Corporation who are directors, make awards under the Corporation's discretionary employee benefit plans, and make recommendations from time to time to the Board of Directors regarding the Corporation's compensation program.

(e) A majority of any committee may determine its action and fix the time and place of its meetings, unless otherwise provided herein or the Board shall otherwise provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in Section 3.5 of these By-Laws. The Board shall have power at any time to change the powers, responsibilities and duties of, to fill vacancies in, to change the number and membership of, or to dissolve any such committee to the extent permitted by law. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board.

Section 3.11. Removal. Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, any director may be removed from office only for cause by the affirmative vote of the holders of at least a majority of the voting power of all Voting Stock then outstanding, voting together as a single class.

Section 3.12. Records. The Board of Directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

ARTICLE IV

Officers

Section 4.1. Elected Officers. The elected officers of the Corporation shall be a Chairman of the Board of Directors and Chief Executive Officer, a President, a Secretary, and such other officers (including, without

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limitation, a Chief Financial Officer and Executive Vice Presidents, Senior Vice Presidents and Vice Presidents) as the Board of Directors from time to time may deem proper. The Chairman of the Board shall be chosen from among the directors. All officers elected by the Board of Directors shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof. The Board or any committee thereof may from time to time elect, or the Chairman of the Board or President may appoint, such other officers (including one or more Vice Presidents, Controllers, Assistant Secretaries and Assistant Treasurers), as may be necessary or desirable for the conduct of the business of the Corporation. Such other officers and agents shall have such duties and shall hold their offices for such terms as shall be provided in these By-Laws or as may be prescribed by the Board or such committee or by the Chairman of the Board or President, as the case may be.

Section 4.2. Election and Term of Office. The elected officers of the Corporation shall be elected annually by the Board of Directors at the regular meeting of the Board of Directors held in connection with the annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until such person's successor shall have been duly elected and shall have qualified or until such person's death or until he shall resign or be removed pursuant to Section 4.8.

Section 4.3. Chairman of the Board; Chief Executive Officer. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors and shall be the Chief Executive Officer of the Corporation. The Chairman of the Board shall be responsible for the general management of the affairs of the Corporation and shall

perform all duties incidental to such person's office which may be required by law and all such other duties as are properly required of him by the Board of Directors. He shall make reports to the Board of Directors and the stockholders, and shall see that all orders and resolutions of the Board of Directors and of any committee thereof are carried into effect. The Chairman of the Board may also serve as President, if so elected by the Board. The directors also may elect a Vice-Chairman to act in the place of the Chairman upon his or her absence or inability to act.

Section 4.4. President. The President shall act in a general executive capacity and shall assist the Chairman of the Board in the administration and operation of the Corporation's business and general supervision of its policies and affairs. The President, if he or she is also a director, shall, in the absence of or because of the inability to act of the Chairman of the Board, perform all duties of the Chairman of the Board and

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preside at all meetings of stockholders and of the Board of Directors. He shall further perform such duties as may, from time to time, be assigned to him by the Chairman of the Board or the Board of Directors.

Section 4.5. Vice Presidents. Each Senior Vice President and Executive Vice President and any Vice President shall have such powers and shall perform such duties as shall be assigned to him by the Board of Directors or the Chairman of the Board.

Section 4.6. Chief Financial Officer. The Chief Financial Officer shall exercise general supervision over the receipt, custody and disbursement of corporate funds. The Chief Financial Officer shall cause the funds of the Corporation to be deposited in such banks as may be authorized by the Board of Directors, or in such banks as may be designated as depositories in the manner provided by resolution of the Board of Directors. The Treasurer shall have such further powers and duties and shall be subject to such directions as may be granted or imposed from time to time by the Board of Directors, the Chairman of the Board or the President.

Section 4.7. Secretary. (a) The Secretary shall keep or cause to be kept in one or more books provided for that purpose, the minutes of all meetings of the Board, the committees of the Board and the stockholders; the Secretary shall see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; shall be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal; and shall see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and in general, shall perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board, the Chairman of the Board or the President.

(b) Assistant Secretaries shall have such of the authority and perform such of the duties of the Secretary as may be provided in these By-Laws or assigned to them by the Board of Directors or the Chairman of the Board or by the Secretary. During the Secretary's absence or inability, the Secretary's authority and duties shall be possessed by such Assistant Secretary or Assistant Secretaries as the Board of Directors, the Chairman of the Board, the President or a Vice Chairman of the Board may designate.

Section 4.8. Removal. Any officer elected, or agent appointed, by the Board of Directors may be removed by the affirmative vote of a majority of the Whole Board whenever, in their judgment, the best interests of the Corporation would be served thereby. Any officer or agent appointed by the Chairman of the Board or the President may be removed by him whenever, in such

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person's judgment, the best interests of the Corporation would be served thereby. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of such person's successor, such person's death, such person's resignation or such person's removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

Section 4.9. Vacancies. A newly created elected office and a vacancy in any elected office because of death, resignation, or removal may be filled by the Board of Directors for the unexpired portion of the term at any meeting of the Board of Directors. Any vacancy in an office appointed by the Chairman of the Board or the President because of death, resignation, or removal may be filled by the Chairman of the Board or the President.

ARTICLE V

Stock Certificates and Transfers

Section 5.1. Certificates representing shares of the Corporation shall be signed by the Chairman of the Board or a Vice Chairman of the Board of Directors, if any, or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, any of whose signatures may be a facsimile. The Board of Directors may in its discretion appoint responsible banks or trust companies from time to time to act as transfer agents and registrars of the stock of the Corporation; and, when such appointments shall have been made, no stock certificate shall be valid until countersigned by one of such transfer agents and registered by one of such registrars. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person was such officer, transfer agent or registrar at the date of issue. All certificates shall include on their face written notice of any restrictions that may be imposed on the transferability of such shares and shall be consecutively numbered or otherwise identified.

Section 5.2. Lost, Stolen or Destroyed Certificates. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft and on delivery to the Corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board of Directors or any financial officer may in its or such person's discretion require.

ARTICLE VI

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Miscellaneous Provisions

Section 6.1. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December of each year.

Section 6.2. Dividends. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation.

Section 6.3. Seal. The corporate seal shall have inscribed thereon the words "Corporate Seal," the year of incorporation and the word "Delaware."

Section 6.4. Waiver of Notice. Whenever any notice is required to be given to any stockholder or director of the Corporation under the provisions of the DGCL or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the Board of Directors or committee thereof need be specified in any waiver of notice of such meeting.

Section 6.5. Audits. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board of Directors, and it shall be the duty of the Board of Directors to cause such audit to be done annually.

Section 6.6. Resignations. Any director or any officer, whether elected or appointed, may resign at any time by giving written notice of such resignation to the Chairman of the Board, the President, or the Secretary, and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chairman of the Board, the President, or the Secretary, or at such later time as is specified therein. No formal action shall be required of the Board of Directors or the stockholders to make any such resignation effective.

ARTICLE VII

Contracts, Proxies, Etc.

Section 7.1. Contracts. Except as otherwise required by law, the Certificate of Incorporation, a Preferred Stock Designation, or these By-Laws, any contracts or other instruments may be executed and delivered in the name and on the behalf of the Corporation by such officer or officers of the Corporation as the Board of Directors may from time to time direct. Such authority may be

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general or confined to specific instances as the Board may determine. The Chairman of the Board, the President or any Senior Vice President, Executive Vice President or Vice President may execute bonds, contracts, deeds, leases and other instruments to be made or executed for or on behalf of the Corporation. Subject to any restrictions imposed by the Board of Directors or the Chairman of the Board, the President or any Senior Vice President, Executive Vice President or Vice President of the Corporation may delegate contractual powers to others under such person's jurisdiction, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

Section 7.2. Proxies. Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman of the Board, the President or any Senior Vice President, Executive Vice President or Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

ARTICLE VIII

Amendments

Section 8.1. Amendments. The By-Laws may be altered or repealed and new By-Laws may be adopted (1) at any annual or special meeting of stockholders by the affirmative vote of the holders of at least two-thirds of the voting power of the stock issued and outstanding and entitled to vote thereat, provided, however, that any proposed amendment, alteration or repeal of, or the adoption of any By-Law inconsistent with, Section 2.2, 2.7 or 2.10 of Article II or Section 3.2, 3.9 or 3.11 of Article III of the By-Laws by the stockholders shall require the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock then outstanding, voting together as a single class, and provided,

further, however, that, in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new By-Law or By-Laws must be contained in the notice of such special meeting, or (2) by the affirmative vote of a majority of the Whole Board.

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EXHIBIT 10.12

==

SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT

of

ALASKA NATIVE WIRELESS, L.L.C.

among

AT&T WIRELESS PCS INTERESTS, LLC,

AT&T WIRELESS SERVICES, INC.,

COUNCIL TREE ALASKA NATIVE WIRELESS, L.L.C.

and

THE OTHER SIGNATORIES HERETO

Dated as of January 11, 2002

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SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT

SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT, dated as of January 11, 2002, among AT&T Wireless PCS Interests, LLC, a Delaware limited liability company ("AWS Sub"), AT&T Wireless Services, Inc., a Delaware corporation ("AWS"), Council Tree Alaska Native Wireless, L.L.C., a Delaware limited liability company ("CTC"), Edge Wireless Ventures, LLC, an Oregon limited liability company ("Edge"), and Alaska Native Wireless, L.L.C., a Delaware limited liability company (the "Company").

WHEREAS, the Federal Communications Commission (the "FCC") has conducted an auction of licenses to provide broadband personal communications services ("PCS") using spectrum in the broadband PCS C block (1895-1910 MHz/1975-1990 MHz) and the broadband PCS F block (1890-1895 MHz/1970-1975 MHz) in various Basic Trading Areas in the United States, which auction was designated by the FCC as Auction Number 35 (the "Auction");

WHEREAS, Congress has directed the FCC to promote economic opportunity and competition by disseminating licenses among a wide variety of applicants, including small businesses and businesses owned by members of minority groups, and to ensure that small businesses and businesses owned by members of minority groups are given the opportunity to participate in the provision of spectrum-based services;

WHEREAS, the FCC has undertaken to foster the provision of telecommunications services by and to Native Americans, particularly on Native

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American tribal lands where telecommunications services subscribership is frequently below national standards;

WHEREAS, CTC includes a consortium of Alaska Native Regional Corporations comprised of more than 40,000 Alaska Native shareholders, which consortium desires to participate in the provision of spectrum-based services to secure economic opportunity for its shareholders, to develop telecommunications industry expertise for and on behalf of its shareholders, and to promote the delivery of telecommunications services to Native American tribal lands;

WHEREAS, in pursuit of these goals, CTC desires to participate in the Auction in partnership with a recognized telecommunications industry leader;

WHEREAS, AWS desires to work with CTC in pursuit of these goals;

WHEREAS, CTC, AWS Sub, AWS and Edge have entered into an Amended and Restated Limited Liability Company Agreement, dated as of February 8, 2001 (the "Initial LLC Agreement"), relating to the Company;

WHEREAS, CTC, AWS Sub, AWS and Edge wish to amend and restate the Initial LLC Agreement in its entirety as hereinafter set forth;

WHEREAS, the Members wish AWS (and AWS is willing) to become a party to this Agreement in order to evidence its agreement to perform its obligations hereunder;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, it is hereby agreed, and the Initial LLC Agreement is hereby amended and restated in its entirety, as follows:

ARTICLE 1
DEFINITIONS AND ORGANIZATION

Section 1.1. Definitions

Capitalized terms used in this Agreement without other definition shall, unless expressly stated otherwise, have the meanings specified in this Section 1.1.

"Act" means the Delaware Limited Liability Company Act, as amended from time to time.

"Additional Members" means, collectively, Edge and its successors and Permitted Transferees.

"Adjusted Bidding Credits" means the excess of (i) the aggregate amount of Bidding Credits over (ii) the aggregate amount of Bidding Credits, if any, that are forfeited by the Company pursuant to applicable FCC Rules as a result of any action or omission of CTC in its capacity as Manager or otherwise. Any dispute over the cause of any such forfeiture shall be submitted to arbitration in accordance with Section 11.3. If the arbitrators determine that both CTC and AWS Sub are at fault with respect to any such forfeiture, the CTC Portion of the Adjusted Bidding Credits shall be modified by the arbitrators to reflect the relative fault of CTC and AWS Sub.

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"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(i) such Capital Account shall be deemed to be increased by any amounts which such Member is obligated to restore to the Company (pursuant to this Agreement or otherwise) or is deemed to be obligated to restore pursuant to the second to last sentence of Treasury Reg. Sections 1.704-2(g)(1) and 1.704-2(i)(5) (relating to allocations attributable to nonrecourse debt); and

(ii) such Capital Account shall be deemed to be decreased by the items described in Treasury Reg. Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Reg. Section 1.704-1(b)(2)(ii)(d) and shall be interpreted and applied consistently therewith.

"Affiliate" means, with respect to any Person, any other Person that, either directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person; provided, that the Members shall be deemed not to be Affiliates of the Company for purposes of this Agreement.

"Agents" is defined in Section 11.2.

"Agreement" means this Limited Liability Company Agreement, as amended, modified, supplemented or restated from time to time.

"Alaska Native Corporation" means each of ASRC Wireless Services, Inc., a wholly owned Subsidiary of ASRC; Sealaska Telecommunications, LLC, a wholly owned Subsidiary of Sealaska Corporation; and Doyon Communications, Inc., a wholly owned Subsidiary of Doyon Limited.

"Appraiser" is defined in Section 7.7.

"ASRC" means Arctic Slope Regional Corporation, an Alaska corporation.

"Auction" is defined in the preamble.

"Auction Benefits" means the eligibility of the Company to hold any of the licenses won in the Auction or the ability of the Company to realize the Bidding Credits and other financial benefits that it derives from its status as a Qualified Person.

"AWP" means AT&T Wireless PCS, LLC, a Delaware limited liability company.

"AWS" is defined in the preamble.

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"AWS Sub" is defined in the preamble.

"AWS Territory" means, collectively, (i) the territories where AWS or its Affiliates or other "attributable entities" hold licenses to provide broadband PCS or other wireless communications services and (ii) the territories served by Persons with whom AWS or its Affiliates have any exclusivity and/or preferential roaming arrangements with respect to the provision of wireless communications services; provided, that the territories described in clauses (i) and (ii) above shall be considered part of the AWS Territory for purposes of this Agreement only to the extent that, and from and after such time as, such territories have been identified with reasonable specificity in public filings by AWS (or its Affiliates) or CTC shall have received written notice from AWS identifying such territories (it being understood that AWS may deliver such notices at any time and from to time). The term "attributable entities" means Persons in which AWS or its Affiliates have, or have the right or the obligation, whether upon the occurrence of a contingency or otherwise, to acquire, an "attributable interest" (as defined in any applicable FCC rules).

"Bankruptcy" means with respect to any Person:

(i) the filing by such Person of a voluntary petition seeking liquidation, dissolution, reorganization, rearrangement, readjustment or similar relief, in any form, of its debts under Title 11 of the United States Code (or corresponding provisions of future laws) or any other bankruptcy or insolvency law, or such Person's filing an answer consenting to, or acquiescing in any such petition, or the adjudication of such Person as a bankrupt or insolvent;

(ii) the making by such Person of any assignment for the benefit of its creditors or any similar action for the benefit of creditors, or the admission by such Person in writing of its inability to pay its debts as they mature;

(iii) the expiration of 60 days after the filing of an involuntary petition under Title 11 of the United States Code (or corresponding provisions of future laws), an application for the appointment of a receiver for the assets of such Person, or an involuntary petition seeking liquidation, dissolution, reorganization, rearrangement or readjustment of its debts or similar relief under any bankruptcy or insolvency law, provided that the same shall not have been vacated, set aside or stayed within such 60 day period;

(iv) the giving of notice by such Person to any Governmental Authority of insolvency or pending insolvency or suspension or pending suspension of operations;

(v) the appointment (or such Person's seeking or acquiescing to such appointment) of any trustee, receiver, conservator or liquidator of such Person of all or any substantial part of its properties; or

(vi) the entry of an order for relief against such Person under Title 11 of the United States Code (or corresponding provisions of

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future laws) or any other bankruptcy or insolvency law.

The foregoing is intended to supersede and replace the events listed in Section 18-304(a) of the Act.

"Bidding Credit" means, with respect to any open license won by the Company in the Auction, an amount equal to the excess of the gross winning bid for such license over the net winning bid for such license.

"Bidding Protocol" means the Bidding Protocol and Joint Bidding Arrangement, dated as of November 6, 2000, among CTC, AWS, AWP, AWS Sub and the Company.

"Book Value" means, with respect to any asset of the Company, the asset's adjusted basis as of the relevant date for federal income tax purposes except as follows:

(i) the initial Book Value of any asset contributed by a Member to the Company shall be the Fair Market Value of such asset, as determined by the

contributing Member and the Company with the concurrence of the Members other than the contributing Member;

(ii) the Book Values of all Company assets (including intangible assets such as goodwill) shall be adjusted to equal their respective Fair Market Values (as adjusted by Section 7701(g) of the Code) as of the following times:

(A) the acquisition of an additional Interest by any new or existing Member in exchange for more than a de minimis capital contribution;

(B) the distribution by the Company to a Member of more than a de minimis amount of money or other Company property as consideration for an interest in the Company; and

(C) the termination of the Company for federal income tax purposes pursuant to Section 708(b) of the Code;

(iii) the Book Value of any Company asset distributed to any Member shall be the Fair Market Value of such asset (as adjusted by Section 7701(g) of the Code) on the date of distribution;

(iv) if the Book Value of an asset has been determined or adjusted pursuant to clause (i) or clause (ii) above, such Book Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses, and other items allocated pursuant to ARTICLE 4; and

(v) the Book Value of Company assets shall be increased or decreased, as appropriate, to reflect any adjustments to the adjusted

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tax bases of such assets pursuant to Sections 734(b) or 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Reg. Section 1.704-1(b)(2)(iv)(m) and clause (v) of the definition of "Profits" and "Losses" set forth below; provided, however, that Book Values shall not be adjusted pursuant to this clause (v) to the extent that an adjustment pursuant to clause (ii) or (iii) hereof is required in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (v).

The foregoing definition of Book Value is intended to comply with the provisions of Treasury Reg. Section 1.704-1(b)(2)(iv) and shall be interpreted and applied consistently therewith.

"Business" means the business of (a) acquiring licenses in the Auction (and such other FCC licenses as the Members shall mutually agree) and (b) the deployment of such licenses in a manner consistent with applicable law and FCC Rules, whether by (i) owning, constructing and operating systems to provide mobile wireless telecommunications services, that may evolve to 3G-based systems, (ii) entering into one or more joint venture, lease or other agreements or (iii) any other means, in any case using technology fully compatible and interoperable with the technology or technologies employed by AWS and its Affiliates from

time to time (without limiting the vendors from whom the equipment comprising such systems may be acquired) solely within the Company Territory (the "Company Communications Services"), which may, but need not necessarily, also include (c) providing in connection with such Company Communications Services, solely within the Company Territory, Telecommunications Services incidental or ancillary to such Company Communications Services provided to end-users of such Company Communications Services (including, by way of example, bundling additional Telecommunications Services with Company Communications Services), (d) marketing and offering the services and features described in clauses (b) and (c) within the Company Territory, including advertising such services and features using broadcast and other media, so long as such advertising extends beyond the Company Territory only when and to the extent necessary to reach customers and potential customers in the Company Territory and (e) any other activities upon which the Members may mutually agree.

"Business Plan" means the Five-Year Business Plan and each annual business plan adopted in accordance with Section 6.4.

"Capital Account" is defined in Section 2.1(a).

"Cash Equity Investors" means Madison Dearborn Capital Partners III, L.P. and CTANW Investor, L.L.C., Catalyst Investors, L.P., Catalyst Investors Advisors Fund, L.P. and Stephen C. Hillard and their respective successors and Permitted Transferees.

"Change of Control of ASRC" means (i) any circumstance, event or transaction following which any Person or group (as such term is used in Sections 13(d) and 14(d) of the Exchange Act and the regulations thereunder) is

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the "beneficial owner" (as such term is used in Rules 13d-3, 13d-5 or 16a-1 under the Exchange Act) of at least 50.1% of the Voting Securities of ASRC or 50.1% of the outstanding Equity Interests of ASRC (on a fully diluted basis, treating Equity Interests of ASRC issuable upon the conversion, exchange or exercise of convertible or exchangeable securities, or other rights to acquire Equity Interests, as issued and outstanding) or otherwise has the power to control ASRC; or (ii) the sale or other disposition of all or substantially all of ASRC's stock, business or assets (including through a merger or otherwise).

"Change of Control of Edge" means (i) any circumstance, event or transaction following which any Person or Persons, whether or not constituting a group (as such term is used in Sections 13(d) and 14(d) of the Exchange Act and the regulations thereunder), other than (A) Wayne Perry are the "beneficial owners" (as such term is used in Rules 13d-3, 13d-5 or 16a-1 under the Exchange Act) of at least 50.1% of the Voting Securities of Edge (or New Edge) or otherwise has the power to control Edge (or New Edge) or (B) one or more members of Edge Holding on the date hereof are the "beneficial owners" (as such term is used in Rules 13d-3, 13d-5 or 16a-1 under the Exchange Act) of at least 50.1% of the outstanding Equity Interests of Edge (or New Edge) on a fully diluted basis, treating Equity Interests of Edge (or New Edge) issuable upon the conversion, exchange or exercise of convertible or exchangeable securities, or other rights to acquire Equity Interests, as issued

and outstanding or (ii)the sale or other disposition of all or substantially all of the stock, business or assets (including through a merger or otherwise) of Edge.

"Claim" is defined in Section 13.3(a).

"CMRS" is defined in Section 12.3(a)(i).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" is defined in the preamble.

"Company Communications Services" is defined in the definition of "Business."

"Company Minimum Gain" means the aggregate of the amounts of gain, if any, determined for each nonrecourse liability of the Company, that would be realized by the Company for federal income tax purposes if it disposed of the Company property subject to such liability in a taxable transaction in full satisfaction thereof and for no other consideration. To the extent the foregoing is inconsistent with Treasury Reg. Section 1.704-2(d) or incomplete with respect to such regulation, Company Minimum Gain shall be computed in accordance with such regulation.

"Company Securities" means debt securities, convertible securities or equity securities of the Company.

"Company Territory" means the territory covered by the licenses won by

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the Company in the Auction or thereafter acquired by the Company.

"Confidential Information" means all documents and information (including without limitation, commercial information and information with respect to customers and proprietary technologies or processes and the design and development of new products or services) concerning the Company, the telecommunications systems in which the Company has an ownership interest, the Members or their Affiliates furnished to a Member or any of its Affiliates in connection with the transactions leading up to and contemplated by this Agreement and the Related Agreements and the operation of the Company which is (i) not otherwise in the public domain, (ii) not otherwise in the rightful possession of such Member (or Affiliate) from third parties having no obligation of confidentiality to the other Member or the Company and (iii) not required to be disclosed by such Member, its Affiliates or Agents pursuant to federal, state or local law.

"control," "controlled" and "controlling" shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of Voting Securities, by contract or otherwise.

"CTC" is defined in the preamble.

"CTC Members" means CTC and its Permitted Transferees.

"CTC Portion" means an amount equal to 50% of the Adjusted Bidding Credits.

"Date of Payment" is defined in Section 9.3(a)(ii).

"Depreciation" means, for each fiscal year or part thereof, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such year or other period, except that if the Book Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year, Depreciation shall be an amount which bears the same ratio to such Book Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year bears to such adjusted tax basis; provided that if the federal income tax depreciation, amortization or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such Book Value using any reasonable method selected by the Manager.

"Edge" is defined in the preamble.

"Edge Holding" means Edge Wireless Holding Co., LLC.

"Edge Portion" means an amount equal to the product of the CTC Portion multiplied by a fraction whose numerator is equal to the aggregate amount of capital contributed to the Company by Edge pursuant to Section 2.2(b) plus (so long as the Management Agreement shall not have been terminated by the Company pursuant to Section 10.2(a)(i) or 10.2(b)(i) thereof) $7,500,000 and whose denominator is equal to the aggregate amount of capital contributed to the

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Company by CTC pursuant to Section 2.2(b).

"Equity Interests" means capital stock, partnership interests, limited liability company interests or other ownership or beneficial interests of any Person.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, with respect to any asset, as of the date of determination, the cash price at which a willing seller would sell and a willing buyer would buy such asset in a transaction negotiated at arm's length, each being apprised of and considering all relevant facts, circumstances and factors, and neither acting under compulsion, with the parties being unaffiliated third parties acting without time constraints.

"FCC" means the Federal Communications Commission or any successor agency or entity performing substantially the same functions.

"FCC Rules" means the rules and regulations established by the FCC codified in Title 47 of the Code of Federal Regulations, as the same may be modified or amended from time to time hereafter, together with all orders and public notices of the FCC.

"Five-Year Business Plan" is defined in Section 6.4(a).

"GAAP" means generally accepted accounting principles as used by the Financial Accounting Standards Board and/or the American Institute of Certified Public Accountants.

"Governmental Authority" means a national, state, provincial, county, city, local or other governmental or regulatory body or authority, whether domestic or foreign.

"Immediate Family" means, with respect to any Person, such Person's spouse, parents, spouse's parents, siblings, children, stepchildren, adopted children and grandchildren.

"Indemnified Person" is defined in Section 13.1(b).

"Initial Application Date" means November 6, 2000.

"Initial Grant Date" means, with respect to any license, the date on which such license is granted by the FCC as set forth on the face of such license.

"Interest" means the interest of a Member (or a Permitted Transferee of a Member pursuant to ARTICLE 7 which has not been admitted as a Member of the Company) in the aggregate distributions by the Company, and the aggregate allocations by the Company of Profits, Losses, income, gain, loss, deduction or credit or any similar item, and all other rights and interests of a Member of the Company.

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"IPO Price" is defined in Section 10.3.

"license" means a license issued by the FCC authorizing the licensee to construct and operate radio transmitting facilities. Unless otherwise indicated, references to licenses in this Agreement shall refer to licenses to provide broadband PCS.

"License Payment" means the upfront payment, down payment, amount due on receipt and any other amounts paid by the Company to the FCC in respect of any license won by the Company in the Auction.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest, right of first refusal or right of others therein, or encumbrance of any nature whatsoever in respect of such asset.

"Liquidator" is defined in Section 14.3(b).

"Management Agreement" means the Management Agreement between the Company and Edge, dated October 19, 2001, as the same may be amended in accordance therewith.

"Management Company" means, initially, Edge and any successor thereto.

"Manager" means CTC for so long as it serves as the "manager" of the Company (within the meaning of the Act) in accordance with the provisions of this Agreement and, thereafter, any manager of the Company duly appointed in accordance with the terms hereof.

"Marketable Securities" means securities (i) issued by an issuer with a public float equal to or greater than $2 billion; (ii) that are of a class of securities listed on a major national or international stock exchange; (iii) that constitute, in the aggregate, not more than 3.5% of the outstanding securities of such class; (iv) that are or were issued to the Members that exercised the Put in a transaction registered under the Securities Act, or the resale of which by such Members is registered under the Securities Act, and are otherwise freely tradable by such Members without restriction under applicable federal and state securities laws; and (v) that may reasonably be expected at the time of delivery to be sold in an orderly fashion within five business days thereafter (it being understood that the condition set forth in this clause (v) shall be satisfied if one or more underwriters of nationally recognized standing selected and compensated by AWS Sub agree to place such securities within such period).

"Member" means, initially, AWS Sub, CTC and Edge, as long as they have not ceased to be Members, and any Person who, at the time of the reference thereto, has been admitted to the Company as a Member in accordance with the terms of this Agreement and has not ceased to be a Member, in such Person's capacity as a member (within the meaning of the Act) of the Company.

"Member Minimum Gain" means an amount, with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as a nonrecourse liability, determined in

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accordance with Treasury Reg. Section 1.704-2(i).

"Member Nonrecourse Debt" has the meaning ascribed to the term "partner nonrecourse debt" in Treasury Reg. Section 1.704-2(b)(4), and generally means any nonrecourse debt of the Company for which any Member bears the economic risk of loss (such as a nonrecourse loan to the Company by a Member or certain Affiliates of a Member).

"Member Nonrecourse Deduction" has the meaning ascribed to the term "partner nonrecourse deduction" in Treasury Reg. Section 1.704-2(i)(2). The amount of the Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt for a Company fiscal year equals the net increase, if any, in the amount of Member Minimum Gain attributable to such Member Nonrecourse Debt during that fiscal year, reduced (but not below zero) by the aggregate amount of any distributions during that fiscal year to the Member that bears the economic risk of loss for such Member Nonrecourse Debt to the extent such distributions are from the proceeds of such Member Nonrecourse Debt and are allocable to an increase in Member Minimum Gain attributable to such Member Nonrecourse Debt.

"New Edge" is defined in Section 7.2(c).

"New LLC" is defined in Section 9.7.

"Newco" is defined in Section 10.1.

"Nonrecourse Deductions" has the meaning set forth in Treasury Reg. Section 1.704-2(c). The amount of Nonrecourse Deductions for a fiscal year equals the net increase, if any, in the

amount of Company Minimum Gain during that fiscal year, reduced (but not below zero) by any Nonrecourse Distributions during such year.

"Nonrecourse Distributions" means the aggregate amount, as determined in accordance with Treasury Reg. Section 1.704-2(c), of any distributions during the fiscal year of proceeds of a nonrecourse liability, as defined in Treasury Reg. Section 1.704-2(b)(3), that are allocable to an increase in Company Minimum Gain.

"Offer" is defined in Section 7.3(a).

"Offer Notice" is defined in Section 7.3(a).

"Offered Interests" is defined in Section 7.3(a).

"Offering" is defined in Section 10.1.

"Offeror" is defined in Section 7.3(a).

"open license" means a license designated as such in the Public Notice.

"Operating Agreement" means the Operating Agreement (if any) between the Company and AWS, as the same may be amended in accordance therewith.

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"PCS" means the Personal Communications Services principally regulated under Part 24 of the FCC Rules.

"Percentage Interest" means, with respect to a Member, the percentage determined by dividing the aggregate unreturned contributions to the equity capital of the Company made by such Member by the aggregate unreturned contributions to the equity capital of the Company made by all Members.

"Permitted Transferee" means, with respect to a Member, a direct or indirect wholly owned Subsidiary of such Member, and a direct or indirect wholly owned Subsidiary of a Person of which such Member is a direct or indirect wholly owned Subsidiary.

"Person" means any individual, corporation, partnership, firm, joint venture, limited liability company, limited liability partnership, association, joint stock company, trust, estate, incorporated or unincorporated organization, Governmental Authority or other entity.

"Profits" and "Losses" means, for each fiscal year or part thereof, the Company's taxable income or loss for such year determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss and deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss) with the following adjustments:

(i) any income of the Company that is exempt from federal income tax shall be added to such taxable income or loss;

(ii) any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as such pursuant to Treasury Reg. Section 1.704-1(b)(2)(iv)(i) shall be subtracted from such taxable income or loss;

(iii) in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, Depreciation for such fiscal year shall be taken into account;

(iv) if the Book Value of any Company asset is adjusted pursuant to clause (ii) or clause (iii) of the definition of Book Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits or Losses;

(v) gain or loss resulting from the disposition of any Company asset with respect to which gain or loss is recognized for federal income tax purposes shall be computed with reference to the Book of Value of the asset disposed of, notwithstanding that the adjusted basis of such asset differs from the Book Value of such asset;

(vi) to the extent an adjustment to the adjusted tax basis of any Company asset under Section 734(b) of the Code is required, pursuant

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to Treasury Reg. Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member's interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the adjusted tax basis of the asset) or an item of loss (if the adjustment decreases the adjusted tax basis of the asset) from the disposition of such asset and shall be taken into account for purposes of computing Profits and Losses; and

such taxable income or loss shall not be deemed to include items of income, gain, loss, or deduction allocated pursuant to Section 2.1(c)(iv) (to comply with Treasury Regulations under Section 704(b) of the Code), Section 4.3, Section 4.4 or Section 4.5.

"Public Notice" means Public Notice, DA 00-2259 (October 5, 2000), issued by the FCC.

"Put" is defined in Section 9.1.

"Put Period" means the 30-day period following the Reference Date, provided, that if the FCC Rules restricting the free transferability of C or F block PCS licenses or interests therein expire on a date that occurs prior to the Reference Date, then CTC or AWS Sub may in its discretion notify the other Members of the earlier date on which the Put Period shall commence, but in any event not earlier than 60 days following receipt of such notice.

"Put Price" is defined in Section 9.1.

"Qualified Person" means a Person that qualifies as an "entrepreneur" and a "very small business" under FCC Rules applicable to the licenses available in the Auction.

"Reference Date" means the fifth anniversary of the first Initial Grant Date.

"Related Agreements" means the Bidding Protocol, the letter agreement, dated November 6, 2000, among the Company, AWS and Edge, the Management Agreement, the Operating Agreement and the Trademark License Agreement.

"Replacement Date" is defined in Section 9.5(c)(ii).

"Restricted Territory" means the Company Territory and the AWS Territory.

"Rollover Debt" is defined in Section 9.5(c)(ii).

"RoFR Closing" is defined in Section 7.3(b).

"SEC" means the Securities and Exchange Commission or any successor commission or agency having similar powers.

"Securities Act" means the Securities Act of 1933, as amended.

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"Sellers" is defined in Section 7.3(a).

"Significant Breach" means (1) fraud, embezzlement or any other conduct by the Manager constituting a criminal or other material violation of law, (2) negligence (which has a material negative impact on the Company), or any knowingly dishonest act, or knowing bad faith or willful misconduct, by the Manager in the performance of its obligations under this Agreement, or of the Company's obligations under any Related Agreement or any other material agreement to which the Company is a party, (3) voluntary or involuntary insolvency or Bankruptcy of the Manager, or (4) any action or omission by the Company (including any violation of or failure to comply with FCC Rules) not caused by AWS or AWS Sub that is reasonably likely to materially impair the ability of the Company to realize the Auction Benefits or result in the revocation or non-renewal of any license.

"Significant Matter" means any of the following:

(1) any offering, issuance, repurchase or reclassification of Interests or other Equity Interests or securities (including warrants, options or other rights convertible into or exchangeable for securities or ownership interests in the Company or any of its Subsidiaries) by the Company or any of its Subsidiaries, except for issuances of Interests to one or more Members so long as the other Members have the right to participate in such issuances pro rata in accordance with their respective Percentage Interests;

(2) any agreement or arrangement, written or oral, to which the Company or any of its Subsidiaries is a party, involving a payment or liability that is greater than $2 million

individually or (during any 12-month period) $10 million in the aggregate (other than any such agreements or arrangements approved in any duly adopted budget then in effect);

(3) the incurrence, directly or indirectly (for example, by way of guarantee), by the Company or any of its Subsidiaries of indebtedness in excess of $1 million (other than any such indebtedness (x) approved in any duly adopted budget then in effect or (y) incurred by the Company from financial institutions in an aggregate amount not to exceed $10 million);

(4) the merger, combination or consolidation of the Company or any of its Subsidiaries with or into any Person other than the Company or a wholly owned Subsidiary of the Company, regardless of whether the Company or any such Subsidiary is the survivor in any such merger, combination or consolidation; the initiation of any Bankruptcy proceeding, liquidation, dissolution or winding up of the Company or any of its Subsidiaries (other than the liquidation of a wholly owned Subsidiary of the Company into the Company or another wholly owned Subsidiary of the Company); or the sale of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole;

(5) the acquisition of any significant portion of assets from another Person; and the formation of any partnership or joint venture involving the

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Company or any of its Subsidiaries;

(6) changes in the Company's business purpose as defined in Section 1.7;

(7) any agreement or arrangement, written or oral, with an Affiliate of the Company involving a payment or liability that is greater than $100,000;

(8) (x) any material change in any budget or business plan then in effect, (y) any action that is materially inconsistent with the Five-Year Business Plan or (z) expenditures (or commitments to make expenditures) that, individually or in the aggregate, deviate more than 10% from the annual budget or business plan then in effect;

(9) distributions by the Company;

(10) appointment or termination of the Company's independent accountants or other outside tax advisor, material changes in tax or accounting methods or elections, or taking any tax position or making any tax election on behalf of the Company;

(11) the authorization or adoption of any amendment to the certificate of formation, limited liability company agreement or any other constituent document (including the exhibits and attachments thereto) of the Company or any of its Subsidiaries;

(12) any agreement or arrangement, written or oral, to pay any director, officer, employee or agent of the Company or any of its Subsidiaries of $200,000 or more per annum to any officer or employee;

(13) appointment of a replacement Management Company upon termination of the Management Agreement;

(14) any agreement or commitment by the Company or any of its Subsidiaries not to (x) compete with any other Person, (y) solicit any other Person's business or customers or (z) solicit or hire any other Person's employees;

(15) acquisition or disposition of any FCC license or any interest therein, including any leasehold interest or security interest;

(16) the renewal or termination of any agreement (including the Related Agreements) entered into by the Company in connection with the capitalization of the Company pursuant to Section 2.2(c) other than in accordance with the terms thereof; and

(17) entering into any agreement or commitment to do any of the

foregoing.

"Subsidiary" of any Person means any other Person with respect to which either (i) more than 50% of the interests having ordinary voting power to elect

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a majority of the directors or individuals having similar functions of such other Person (irrespective of whether at the time interests of any other class or classes of such Person shall or might have voting power upon the occurrence of any contingency), or (ii) more than 50% of the Equity Interests of such other Person is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Substandard Performance" means a material deviation by the Company from any Business Plan and budget then in effect (unless such material deviation is approved pursuant to Section 6.3), or any material failure by the Company to perform in accordance with performance standards customary in the wireless telecommunications industry for similarly situated companies, unless such deviation or failure, as the case may be, is cured within 30 days following notice thereof by Members holding at least 20% of the Percentage Interests or, if such deviation or failure cannot be cured within 30 days, then within 90 days as long as the Manager is diligently acting in good faith to cure such deviation or failure as soon as reasonably practicable.

"Tax Matters Partner" is defined in Section 5.5(d).

"Telecommunications Services" means the offering of telecommunications services for a fee directly to the public, or to such classes of users as to be effectively available directly to the public, regardless of the facilities used. The term "telecommunications" means the transmission, between or among points specified by the user of information of the user's choosing.

"Trademark License Agreement" means the Trademark License Agreement (if any) between the Company and AT&T Corp., as the same may be amended in accordance therewith.

"Transfer" means any direct or indirect transfer, sale, assignment, pledge, encumbrance, tender, or otherwise grant, creation or suffrage of a Lien in or upon, giving, placement in trust or otherwise (including transfers by testamentary or intestate succession) disposing of by operation of law or any derivative transaction, including, without limitation, any short sale, collar, hedging or other derivative transaction that has the effect of materially changing the economic benefits and risks of ownership. A Change of Control of ASRC will be considered a Transfer of the Interests held by CTC; provided, that a change of control of AWS shall in no event be considered a transfer by AWS Sub of its Interests.

"Treasury Reg." means regulations issued by the United States Department of the Treasury pursuant to the Code.

"Voting Securities" means equity securities of a Person having the right to vote generally in the election of the directors (or persons performing equivalent functions) of such Person.

Section 1.2. Formation

The Company was formed as a Delaware limited liability company by filing

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a certificate of formation under the Act on October 30, 2000. The certificate of formation is in all respects approved and the Members hereby agree to continue the Company.

Section 1.3. Name

The name of the Company shall be Alaska Native Wireless, L.L.C.

Section 1.4. Principal Place of Business

The Company's principal office and place of business shall be located at 301 Arctic Slope Avenue, Suite 300, Anchorage, Alaska 99518-3035.

Section 1.5. Registered Office; Registered Agent

The address of the registered office of the Company in the State of Delaware shall be c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808 or such other address as the Manager may determine. The name and address of the registered agent for service of process on the Company in the State of Delaware shall be Corporation Service Company, 2711 Centerville Road, Wilmington, New Castle County, Delaware 19808.

Section 1.6. Term

The term of the Company commenced on October 30, 2000 and, unless terminated in accordance with this Agreement, shall be perpetual.

Section 1.7. Purpose and Powers

The purposes of the Company are to establish and conduct the Business and to do any and all things reasonably necessary or advisable in connection therewith. The Company shall have the power and authority to take any and all actions necessary or advisable to or for the furtherance of said purposes.

Section 1.8. Filings

The Manager shall cause to be executed, filed and published all such certificates, notices, statements or other instruments, and amendments thereto under the laws of the State of Delaware and other applicable jurisdictions as the Manager may deem necessary or advisable for the operation of the Company and to enable the Company to conduct business in each applicable jurisdiction.

Section 1.9. Sole Agreement

The Members intend that their obligations to each other with respect to the Company and the scope of the Company's activities be as set forth in this Agreement, and that no further authority to bind the other or the Company or any liabilities to each other or any third party be inferred from the relationships described herein.

ARTICLE 2
CAPITALIZATION

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Section 2.1. Capital Accounts

(a) Establishment. A separate capital account ("Capital Account") is hereby established for each Member as of the date hereof.

(b) General Rules for Adjustment of Capital Accounts. The Capital Account of each Member shall be:

(i) increased by:

(A) the aggregate amount of such Member's cash contributions to the Company;

(B) the initial Book Value of property contributed by such Member to the Company;

(C) such Member's distributive share of Profits and items of income and gain allocated to such Member pursuant to Section 2.1(c)(iv) or ARTICLE 4;

(D) any positive adjustment to such Capital Account by reason of an adjustment to the Book Value of the Company assets; and

(E) the amount of Company liabilities assumed by such Member or which are secured by any property distributed to such Member; and

(ii) decreased by:

(A) cash distributions to such Member from the Company;

(B) the Book Value of property distributed in kind to such Member;

(C) such Member's distributive share of Losses and items of loss or deduction allocated to such Member pursuant to Section 2.1(c)(iv) or ARTICLE 4;

(D) any negative adjustment to such Capital Account by reason of an adjustment to the Book Value of Company assets;

(E) any amount charged to the Capital Account of such Member pursuant to Section 5.5(e); and

(F) the amount of any liabilities of such Member assumed by the Company or which are secured by property contributed by such Member to the Company.

(c) Special Rules

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(i) Time of Adjustment for Capital Contributions. For purposes of computing the balance in a Member's Capital Account, no credit shall be given for any capital contribution which such Member is obligated to make until such contribution is actually made.

(ii) Adjustment for Conversion of Company Securities. Notwithstanding anything herein to the contrary, upon any conversion of Company Securities, the Capital Account of the holder thereof shall be adjusted as of the date of conversion, and the portion of the Capital Account of such holder attributable to such conversion shall be determined by multiplying (A) the aggregate amount of all Capital Accounts after giving effect to such conversion by (B) the percentage of all the Interests after giving effect to such conversion represented by the Interest of such holder issuable upon such conversion.

(iii) Capital Account for Transferred Interest. If any Interest in the Company or part thereof is Transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the Transferred Interest.

(iv) Intent to Comply with Treasury Regulations. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital

Accounts are intended to comply with Treasury Reg. Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such regulation. To the extent the provisions of this Agreement are inconsistent with such regulation or are incomplete with respect thereto, the Capital Accounts of the Members shall be maintained in accordance with such regulation except to the extent that doing so would materially distort the timing or amount of an allocation or distribution to a Member.

Section 2.2. Capital Contributions

(a) Initial Contributions

CTC and AWS Sub have contributed $601 and $399, respectively, in cash to the capital of the Company.

(b) Upfront Payment and Down Payment

On November 24, 2000, CTC contributed $10,000,000 in cash to the capital of the Company, and AWS caused AWS Sub to provide $228,817,900 in cash to the Company by contributing $6,638,935 in cash to the capital of the Company and purchasing for cash $222,178,965 of Company Securities, consisting of $33,361,065 of convertible Company Securities and $188,817,900 of subordinated debt. The Company used such proceeds to make the upfront payment necessary to permit the Company to bid on all licenses available in the Auction.

On February 8, 2001, CTC contributed $252,500,000 in cash to the capital

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of the Company, Edge contributed $7,500,000 in cash to the capital of the Company, and AWS caused AWS Sub to contribute $160,133,111 in cash to the capital of the Company. The Company used such proceeds to make the down payment on the licenses won by the Company in the Auction and to retire $80,322,161 of outstanding indebtedness.

(c) Final Payment

At such time as the balance of the purchase price of any license won by the Company in the Auction is due:

(i) AWS will cause AWS Sub to purchase for cash Company Securities, in the form of debt, up to a maximum amount (together with any prior purchases of Company Securities, in the form of debt, by AWS Sub) of $625,727,953.

(ii) If the aggregate amount ultimately paid by the Company for licenses in the Auction (the "total purchase price") is less than $525,000,000, then (x) CTC shall have the right to make capital contributions to the Company equal in the aggregate to 50% of the total purchase price and, at the election of AWS Sub, the Company shall redeem a principal amount of Company Securities such that AWS Sub shall have made capital contributions, and/or purchased Company Securities, equal in the aggregate to 50% of the total purchase price, and (y) CTC shall also have the right to make 50% of additional capital contributions to the Company, up to a maximum of $262,500,000 in the

aggregate together with any prior capital contributions by CTC, and AWS shall have the right to make the remaining 50% of additional capital contributions to the Company, as and to the extent that the Members agree that the Company needs such additional amounts for capital expenditures, operating expenses and/or working capital needs in light of other financing available to the Company.

(iii) After giving effect to the capital contributions made pursuant to subsections (a) and (b) above and to clauses (i) and (ii) above, the Percentage Interests of CTC, Edge and AWS will be 60.10%, 1.72% and 38.18%, respectively. In the event of any conversion of Company Securities in accordance with their terms, or additional capital contributions by the Members in accordance with this Agreement, the Percentage Interests of the Members will be adjusted as appropriate.

(d) Obligation to Make Capital Contributions

CTC acknowledges that its agreement to make its capital contributions is subject only to the terms and conditions of this Agreement and is otherwise irrevocable and unconditional, and that the damages that would be suffered by AWS as a result of CTC's failing to make such capital contributions when due are impossible to determine. Accordingly, AWS may terminate this Agreement in the event that CTC fails to make its initial or any additional capital contribution to the Company when and if due, and CTC agrees that following any such termination it shall pay AWS on demand the sum of $50,000,000 (together with

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interest thereon at the rate of 18% per annum from the time of demand until paid) as liquidated damages; provided, that if CTC is liable for liquidated damages under Section 12.4, CTC shall not also be liable for liquidated damages under this Section 2.2(d). Such liquidated damages and termination shall be the sole and exclusive remedy of AWS and AWS Sub for such breach by CTC. Upon any such termination of this Agreement, the Company (or, in the event the Company does not have adequate capital, AWS) shall refund the capital contributions of CTC in redemption of CTC's Interests; provided, that if AWS makes a demand for liquidated damages under this paragraph, the Company will deposit in escrow $50,000,000 of the capital contributions made by CTC (or, if less, the total amount of capital contributions made by CTC). If CTC disputes such demand within ten days thereof, the dispute will be resolved in accordance with Section 11.3, and the Company will disburse the escrowed funds as instructed by the arbitrators; if CTC does not dispute such demand within such ten-day period, the Company will disburse the escrowed funds to AWS on the next business day thereafter. CTC shall have the right to require that AWS specifically perform its obligation to make its capital contribution and to purchase Company Securities in accordance herewith. Other than as set forth in this Section 2.2, no Member shall have any obligation to make additional capital contributions.

(e) Company Securities

Prior to the Reference Date, the Company shall not issue Company Securities convertible into Interests to AWS or any of its Affiliates if, after giving effect to the conversion of all convertible Company Securities held by AWS and its Affiliates, the CTC Members would collectively hold less than 20% of the Percentage Interests. The terms of the

Company Securities shall provide, among other things, that if AWS defaults in its obligation to pay the Put Price pursuant to Section 9.5, such Company Securities shall automatically be converted into instruments that are junior to the Interests held by the CTC Members and the Additional Members.

Section 2.3. No Withdrawals

Except as expressly set forth herein, no Member shall be entitled to withdraw any portion of its capital contribution or Capital Account balance.

Section 2.4. No Interest

Except as expressly set forth herein, no Member shall be entitled to receive any interest on its capital contribution or Capital Account balance.

ARTICLE 3
DISTRIBUTIONS

Section 3.1. Non-Liquidating Distributions

Subject to Section 6.3, non-liquidating distributions shall be made in accordance with the Members' respective Percentage Interests.

Section 3.2. Liquidating Distributions

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Distributions to the Members of cash or property in connection with a dissolution of the Company shall be made in accordance with the Capital Account balances of the Members, as provided in Section 14.3(d).

ARTICLE 4
ALLOCATIONS

Section 4.1. Profits

After giving effect to the special allocations set forth in Section 4.2 through Section 4.5, Profits with respect to any fiscal year shall be allocated to the Members in the following order:

(a) First, 95% to AWS Sub and 5% to the other Members (in accordance with their respective Percentage Interests) to the extent of Losses allocated to the Members under Section 4.2 over Profits previously allocated to the Members under this Section 4.1(a); and

(b) Thereafter, in accordance with their respective Percentage Interests.

Section 4.2. Losses

(a) General Rule. After giving effect to the special allocations set forth in Section 4.3 through Section 4.5 and, subject to Section 4.2(b), 95% of the Losses with respect to any fiscal year shall be allocated to AWS Sub and 5% of the Losses with respect to any fiscal year shall be allocated to the other Members (in accordance with their respective Percentage Interests).

(b) Limitation on Losses. Losses allocated to any Member pursuant to Section 4.1 with respect to any fiscal year shall not exceed the maximum amount of Losses that may be so allocated without causing such Member to have an Adjusted Capital Account Deficit at the end of such fiscal year. All Losses in excess of the limitation set forth in this Section 4.2 shall be allocated: first, to the Members that will not be subject to this limitation, ratably based on the aggregate of their Percentage Interests, to the extent possible until such Members become subject to this limitation; and any remaining amount, to the Members, ratably based on their Percentage Interests, unless otherwise required by the Code or Treasury Regulations.

Section 4.3. Special Allocations

The following special allocations shall be made for any fiscal year of the Company in the following order of priority:

(a) Minimum Gain Chargeback

Notwithstanding any other provision of this ARTICLE 4, if there is a net decrease in Company Minimum Gain during any fiscal year, each Member shall, subject to the exceptions provided in Treasury Reg. Section 1.704-2(f), be specially allocated items of income and gain for such fiscal year (and, if

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necessary, subsequent fiscal years) equal to such Member's share of the net decrease in Company Minimum Gain within the meaning of Treasury Reg. Section 1.704-2(g)(2). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Treasury Reg. Sections 1.704-2(i)(6) and 1.704-2(i)(2). To the extent that this Section 4.3(a) is inconsistent with Treasury Reg. Section 1.704-2(f), the Minimum Gain Chargeback provided for herein shall be applied and interpreted in accordance with such Treasury Regulation.

(b) Member Minimum Gain Chargeback

If there is a net decrease in Member Minimum Gain attributable to a Member Nonrecourse Debt during any Company fiscal year, each Member that, as of the beginning of such year, has a share of the Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Treasury Reg. Section 1.704-2(i)(5), shall be specially allocated items of income and gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to such Member's share of the net decrease in Member Nonrecourse Debt determined in accordance with Treasury Reg. Section 1.704-2(i)(4).

Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Treasury Reg. Sections 1.704-2(i)(4) and 1.704-2(i)(2). To the extent that this Section 4.3(b) is inconsistent with Treasury Reg. Section 1.704-2(i), the Member Minimum Gain chargeback provided for herein shall be applied and interpreted in accordance with such regulation.

(c) Qualified Income Offset

Notwithstanding anything herein to the contrary, but only if required by Treasury Reg. Section 1.704-1(b) in order for the allocations provided for herein to be considered to have substantial economic effect or to be deemed to be in accordance with the Member's Percentage Interests, if, for any fiscal year, a Member unexpectedly receives an adjustment, allocation or distribution described in Treasury Reg. Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6), and such adjustment, allocation or distribution causes or increases an Adjusted Capital Account Deficit with respect to such Member, then, before any other allocations are made, such Member shall be allocated items of income and gain (consisting of a pro rata portion of each item of Company income, including gross income and gain) in the amount and manner sufficient to eliminate such Adjusted Capital Account Deficit as quickly as possible. This Section 4.3(c) is intended to comply with Treasury Reg. Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(d) Nonrecourse Deductions

Nonrecourse Deductions shall be allocated 95% to AWS Sub and 5% to the other Members (in accordance with their respective Percentage Interests).

(e) Member Nonrecourse Deductions

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Any Member Nonrecourse Deductions for any fiscal year or other period shall be allocated to the Member that bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Reg. Section 1.704-2(i).

Section 4.4. Curative Allocations

The allocations set forth in Section 4.3(a) are intended to comply with certain regulatory requirements under Section 704(b) of the Code. The Members intend that, to the extent possible, all allocations made pursuant to such Sections will, over the term of the Company, be offset either with other allocations pursuant to Section 4.3 or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section 4.4. Accordingly, the Manager is hereby authorized and directed to make offsetting allocations of Company income, gain, loss or deduction under this Section 4.4 in whatever manner the Manager determines is appropriate so that after such offsetting special allocations are made the Capital Accounts of the Members are, to the extent possible, equal to the Capital Accounts each would have if the provisions of Section 4.3 were not contained in this

Agreement and all income, gain, loss and deduction of the Company were instead allocated pursuant to Section 4.1 and Section 4.2.

Section 4.5. Special Allocations in the Event of Company Audit Adjustments

Notwithstanding the allocation provisions of Section 4.1 and Section 4.2, and prior to making any of the allocations specified in Section 4.3, the following special allocations shall be made in the following order and in a manner, taking into consideration any tiered partnership structure that the Company may be part of, that reflects the relative economic interests of each Member in the Company:

(a) If for any fiscal year of the Company, the Company or any Affiliate of the Company is deemed to have additional income for tax purposes as a result of a redetermination by a taxing authority of an item of income, gain, loss or deduction that is attributable to a loan transaction, the provision of services, or the grant of a license or sublicense in intangible property by the Company or any Affiliate of the Company, to or involving any Member or Affiliate of any Member, such additional income shall be allocated to the Member involved in such loan transaction or that received such services, license or sublicense (or the Member whose Affiliate was involved in such loan transaction or received such services, license or sublicense) and any related deemed cash distribution shall be treated as having been made to the same Member.

(b) If for any fiscal year of the Company, the Company or any Affiliate of the Company is deemed to have a reduction in income for tax purposes as a result of a redetermination by a taxing authority of an item of income, gain, loss or deduction that is attributable to a loan transaction, the provision of services, or the grant of a license or sublicense in intangible property by the Company or any Affiliate of the Company, to or involving any

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Member or Affiliate of any Member, such reduction in income shall be allocated to the Member involved in such loan transaction or that received such services, license or sublicense (or the Member whose Affiliate was involved in such loan transaction or received such services, license or sublicense) and any related deemed cash contribution shall be treated as having been made by the same Member.

(c) If for any taxable period of a Member, such Member or any Affiliate of the Member is deemed to have additional income for tax purposes as a result of a redetermination by a taxing authority of an item of income, gain, loss or deduction attributable to a loan transaction, the provision of services, or the grant of a license or sublicense in intangible property by such Member or any Affiliate of such Member, to or involving the Company or any Affiliate of the Company, any increase in the amount of a Company deduction associated with such redetermination of such Member's or any Affiliate of such Member's income shall be allocated (in the appropriate fiscal year) to the Member involved in such loan transaction or that provided such services, license or sublicense (either directly or through an Affiliate), and any related deemed cash contribution shall be treated as having been made by the same Member.

(d) If for any taxable period of a Member, such Member or any Affiliate of the Member is deemed to have a reduction in income for tax purposes as a result of a redetermination by a taxing authority of an item of income, gain, loss or deduction attributable to a loan transaction, the provision of services, or the grant of a license or sublicense in intangible property by such Member or any Affiliate of such Member, to or involving the Company or any Affiliate of the Company, any reduction in the amount of a Company deduction associated with such redetermination of such Member's or any Affiliate of such Member's income shall be allocated (in the appropriate fiscal year) to the Member involved in such loan transaction or that provided such services, license or sublicense (either directly or through an Affiliate), and any related deemed cash distribution shall be treated as having been made to the same Member.

(e) A redetermination by a taxing authority shall only be given effect for purposes of this Section 4.5 if such redetermination is (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which has become final and is either no longer subject to appeal or for which a determination not to appeal has been made; (ii) a closing agreement made under Section 7121 of the Code or any comparable foreign, state, local or other income tax statute; (iii) a final disposition by a taxing authority of a claim for refund; or (iv) any other written agreement made with respect to a tax redetermination the execution of which is final and prohibits the taxing authority, relevant Member (or any Affiliate of such Members) or the Company (or any Affiliate of the Company) from seeking any further legal or administrative remedies with respect to such tax redetermination.

Section 4.6. Allocation of Credits

All tax credits shall be allocated among the Members in accordance with their respective Percentage Interests or in accordance with applicable provisions of the Code or Treasury Regulations to the extent any such provision is inconsistent with such allocation.

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Section 4.7. Tax Allocations

(a) Contributed Property

In the event any property is contributed to the capital of the Company, income, gain, loss and deduction with respect to such property shall be allocated solely for tax purposes among the Members in accordance with Section 704(c) of the Code and Treasury Reg. Section 1.704-3 so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Book Value. Prior to the contribution of any property to the Company that has a Fair Market Value that differs from its adjusted tax basis in the hands of the contributing Member on the date of contribution, the contributing Member and the Manager shall agree upon the allocation method to be applied with respect to that property under Treasury Reg. Section 1.704-3.

(b) Revalued Property

If the Company assets are revalued as set forth in the definition of "Book Value," subsequent allocations of income, gain, loss and deduction with respect to revalued Company assets shall take into account any variation between the adjusted basis of such assets for federal income tax purposes and their adjusted value in the same manner as under Section 704(c) of the Code and in compliance with Treasury Reg. Section 1.704-3. All decisions regarding the choice of allocation method under Treasury Reg. Section 1.704-3 with respect to revalued Company assets shall be made by the Members.

Section 4.8. Change in Members' Interests

In the event there is any change in the Members' respective Percentage Interests during any fiscal year, Profits, Losses, Nonrecourse Deductions and other items shall be allocated among the Members in accordance with their respective Percentage Interests from time to time during such fiscal year in accordance with Section 706 of the Code, using any convention permitted by law and selected by the Manager.

ARTICLE 5
ACCOUNTING AND RECORDS

Section 5.1. Fiscal Year

The fiscal year of the Company shall be the year ending December 31.

Section 5.2. Method of Accounting

Unless otherwise provided herein, the Company books of account shall be maintained in accordance with GAAP; provided that for purposes of making allocations with respect to items of Company income, gain, deduction, loss and credit to the Members, such items shall be allocated to the Members' Capital Accounts pursuant to ARTICLE 5 and as required by Section 704 of the Code and the Treasury Regulations promulgated thereunder.

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Section 5.3. Books and Records; Inspection

Proper and complete records and books of accounts of the Company business for tax and financial purposes, including all such transactions and other matters as are usually entered into records and books of account maintained by Persons engaged in businesses of like character or as are required by law, shall be kept by the Company at the Company's principal office and place of business. The Manager may delegate to a third party the duty to maintain and oversee the preparation and maintenance of such records and books of account. Books and records maintained for financial purposes shall be maintained in accordance with GAAP, and books and records maintained for tax purposes shall be maintained in accordance with the Code and applicable Treasury Regulations. All records and documents described in Section 5.3 shall be open to inspection and copying by any of the Members or their representatives or agents, subject to Section 11.2, confidentiality restrictions, at any reasonable time during normal business hours.

Section 5.4. Financial Statements

Within 60 days after the end of each fiscal year, and 45 days after the end of each calendar quarter, and 20 days after the end of each calendar month, the Manager shall cause to be furnished to each Member financial statements with respect to such fiscal year or quarter or month of the Company, consisting of (i) a balance sheet showing the Company's financial position as of the end of such fiscal year or quarter, (ii) supporting profit and loss statements, (iii) a statement of cash flows for such year or quarter and (iv) Member's Capital Accounts, provided that prior to such dates the Company shall provide to each Member on a timely basis such financial information as such Member may reasonably request to permit each Member to prepare its annual and quarterly financial reports. The annual financial statements of the Company shall, be audited (which audit shall be conducted in accordance with GAAP and SEC Regulation S-X) and certified by Ernst & Young LLP, subject to Section 6.3. Each Member shall receive a copy of all material financial reports and notices delivered by the Company to any third party pursuant to any other agreement. The Company shall also produce and distribute to all Members monthly revenue, operating expense and capital expenditure reports and such other financial statements and operating information as the Manager reasonably determines or the Members reasonably request.

Section 5.5. Taxation

(a) Status of the Company. The Members acknowledge that this Agreement creates a partnership for federal income tax purposes. Furthermore, the Members hereby agree not to elect to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code or any similar state statute.

(b) Tax Elections and Reporting

(i) Generally. The Company shall make the following elections and take the following positions under United States income tax laws and

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Treasury Regulations and any similar state laws and regulations:

(A) Adopt the year ending December 31 as the annual accounting period (unless otherwise required by the Code and Treasury Regulations);

(B) Adopt the accrual method of accounting;

(C) Insofar as permissible, report the Company's tax attributes and results using principles consistent with those assumed in connection with entering into this Agreement; and

(D) Have the Company treated as a partnership for federal income tax purposes in a manner consistent with Treasury Reg. Section 1-7701 ("Check the Box Regulations").

(ii) Code Section 754 Election. The Manager shall, upon the written request of any Member, cause the Company to file an election under Section 754 of the Code and the Treasury Regulations promulgated thereunder to adjust the basis of the Company's assets under Section 734(b) or 743(b) of the Code and a corresponding election under the applicable sections of state and local law.

(c) Company Tax Returns

(i) The Tax Matters Partner will prepare or cause to be prepared all required domestic and foreign tax returns and information returns of the Company, drafts of which shall be furnished to the Members within 90 days following the close of each fiscal year. Final returns shall be filed within 180 days of year end. The Company will pay for all reasonable out-of-pocket expenses (including accounting fees, if any) in connection with such preparation (it being understood that the Tax Matters Partner shall not receive any compensation from the Company for preparing such returns). Either Member may, at its own expense, engage a third party to review the tax returns and information returns prepared by the Tax Matters Partner pursuant to the preceding sentence. The Tax Matters Partner shall not file any such return without the approval of any Member that constitutes a "notice partner" (as defined in Section 6231(a)(8) of the Code) of the Company, which approval shall not be unreasonably withheld. Such "notice partner" member shall be deemed to have given such approval if such Member does not indicate its written objection (which may be delivered by facsimile) to the Tax Matters Partner within 45 days of the date that such Member receives a draft of such return. If a "notice partner" Member does not approve of any proposed filing of a return by the Tax Matters Partner, such Member and the Tax Matters Member shall seek, in good faith, to resolve their disagreement. If a "notice partner" Member and the Tax Matters Partner cannot resolve their disagreement within 10 days of receipt of such written notice by the Tax Matters Partner, either of such Member or the Tax Matters Partner may request, in writing with a copy sent to the other party, that the disagreement be resolved by the Company's independent public accountants and the independent public accountants

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shall be instructed to resolve the dispute in such manner as they believe will maximize, in the aggregate, the U.S. federal, state and local income tax advantages and will minimize, in the aggregate, the U.S. federal, state, and local income tax detriments, available to the Company's Members. The independent public accountants shall provide their written resolution of the disagreement to both the "notice partner" Member and the Tax Matters Partner within 15 days from the date that the independent public accountants were requested to resolve such disagreement. Any and all other tax returns shall be prepared in a manner directed by the Tax Matters Partner consistent with the terms of this Agreement. Each Member shall provide such information, if any, as may be reasonably requested by the Company for purposes of preparing such tax and information returns.

(ii) The Tax Matters Partner shall furnish a copy of all filed domestic and foreign tax returns and information returns for the Company to each of the Members. In addition, upon reasonable written notice provided to the Company by a Member

(and as otherwise required by law), the Company shall furnish such Member, on a timely basis, with all information relating to the Company required to be reported in any U.S. federal, state or local tax return of such Member, including a report indicating such Member's allocable share for U.S. federal income tax purposes of the Company's income, gain, credits, losses and deductions.

(iii) The Members agree that the Company shall be treated as a partnership for U.S. federal income tax purposes. The Members agree to (A) approve electing partnership status with respect to the Company with the U.S. Internal Revenue Service and such other state and local taxing authorities as may be appropriate and to cooperate in providing all consents, signatures, documents and such other information as may be required with respect thereto; and (B) report all "partnership items" (as defined in Section 6231(a)(3) of the Code) of the Company consistent with such classification of the Company for U.S. federal, state and local tax purposes and with the returns filed by the Company; provided, however, that if any Member intends to file a notice of inconsistent treatment under Section 6222(b) of the Code, such Member shall at least 30 days prior to the filing of such notice, notify in writing the other Members of such intent and such Member's intended treatment of the item which is (or may be) inconsistent with the treatment of that item by the Company.

(d) Tax Audits. The Manager shall be the "tax matters partner" of the Company, as that term is defined in Section 6231(a)(7) of the Code (the "Tax Matters Partner"), with all of the rights, duties and powers provided for in sections 6221 through 6232, inclusive, of the Code, provided that the Tax Matters Partner shall not pay or agree to pay any audit assessment, or any amount in settlement or compromise of any litigation, in respect of income tax liability of the Members attributable to the Interests in the Company, in excess of $500,000 in any one instance or series of related instances, unless approved by each Member whose financial interest in such matter exceeds $100,000

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individually or in the aggregate. The Tax Matters Partner, as an authorized representative of the Company, shall direct the defense of any tax claims made by the Internal Revenue Service or any other taxing jurisdiction to the extent that such claims relate to adjustment of Company items at the Company level and, in connection therewith, shall retain and cause the Company to pay the fees and expenses of counsel and other advisors chosen by the Tax Matters Partner. The Tax Matters Partner shall also be responsible for timely filing all elections made by the Company. The Tax Matters Partner shall deliver to each Member and the Manager a semi-annual report on the status of all tax audits and open tax years relating to the Company, and shall consult with and keep all Members and the Manager advised of all significant developments in such matters coming to the attention of the Tax Matters Partner. All reasonable expenses of the Tax Matters Partner and its Affiliates (including reasonable internal time charges and reasonable disbursements) and other reasonable fees and expenses in connection with such defense shall be borne by the Company (it being understood that the Tax Matters Partner shall not receive any compensation from the Company for acting in such capacity). Except as provided in ARTICLE 13, neither the Tax Matters Partner nor the Company shall be liable for any additional tax, interest or penalties payable by a Member or any costs of separate counsel chosen by such Member to represent the Member with respect to any aspect of such

defense. The Tax Matters Partner shall take any steps necessary pursuant to Section 6223(a) to designate AWS Sub as a "notice partner" (as defined in Section 6231(a)(8) of the Code). In addition, nothing in this Agreement is intended to waive any rights, including rights to participate in administrative and judicial proceedings, that a Member may have under Section 6221 through 6233 of the Code. Notwithstanding any other provisions of this Agreement, the provisions of Section 5.5(c) and Section 5.5(d) shall survive the dissolution of the Company or the termination of any Member's interest in the Company and shall remain binding on all Members for a period of time necessary to resolve with the U.S. Internal Revenue Service or any applicable state or local taxing authority all matters (including litigation) regarding the U.S. Federal, state and local income taxation, as the case may be, of the Company or any Member with respect to the Company.

(e) Withholding

(i) The Company shall comply with all withholding requirements under U.S. federal, state, local and foreign tax laws and shall remit amounts withheld to, and file required forms with, the applicable taxing authorities. To the extent that the Company withholds and pays over any amounts to any taxing authority with respect to distributions or allocations to any Member, the amount withheld shall be charged to the Capital Account of such Member. The Company shall notify each of the Members of any withholding with respect to such Member, designating such Member's allocable share of such withholding tax. The Members hereby agree that they will not claim a credit in excess of the amount in such notice.

(ii) In the event of any claimed over-withholding by the Company, the Member shall have no rights against the Company or any other Member. Anything in the previous sentence to the contrary

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notwithstanding, if the Company is required to take any action in order to secure a refund or credit for the benefit of a Member in respect of any amount withheld by it, it will take any such action including, without limitation, applying for such refund on behalf of the Member and paying it over to such Member.

(iii) Except in the case of withholding pursuant to Section 1446 of the Code, if any amount required to be withheld was not withheld from actual distributions made to a Member, the Company shall require the Member to which the withholding was credited to reimburse the Company for such withholding; in the case of withholding pursuant to Section 1446 of the Code, no such reimbursement will be necessary as long as the other Members are subject to withholding in amounts proportionate to their Percentage Interests or otherwise receive a distribution of an equivalent amount.

(iv) In the event of any under-withholding by the Company, each Member agrees to indemnify and hold harmless the Company and the Tax Matters Member from and against any liability, including interest and penalties, with respect thereto.

(v) Each Member agrees to furnish the Company with any representations and forms as shall reasonably be requested by the Company to assist the Company in determining the extent of, and in fulfilling, the Company's withholding obligations.

(vi) Upon the request of any Member, the Company shall make any filings, applications or elections to obtain any available exemption from, or any available refund of, any withholding or similar taxes imposed by any non-U.S. (whether sovereign or local) taxing authority with respect to amounts distributable or items of income allocable to such Member hereunder. Such Member shall cooperate with the Company in making any such filings, applications or elections to the extent the Company reasonably determines that such cooperation is necessary or desirable. Notwithstanding the foregoing, if such Member must make any such filings, applications or elections directly, the Company, at the request of such Member, shall provide such information and take such other action as may reasonably be necessary to complete or make such filings, applications or elections.

ARTICLE 6
MANAGEMENT

Section 6.1. Manager

The Manager at all times shall exercise control over the Company in compliance with FCC Rules. The Manager shall, subject to the terms of this Agreement, have the exclusive right and power to manage, operate and control the Company and to make all decisions necessary or appropriate to carry on the business and affairs of the Company, including the authority to appoint, promote, demote and terminate executives who oversee the day-to-day activities of the Company and to select the financial institutions from which the Company

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may borrow money. In addition to the specific rights and powers herein granted to the Manager, the Manager shall possess and enjoy and may exercise all the rights and powers of a manager within the meaning of Section 18-101(10) of the Act, subject to the limitations of this Agreement, including the full and exclusive power and authority to act for and to bind the Company. In addition to any other rights and powers that the Manager may possess, the Manager shall have all specific rights and powers required or appropriate for the day-to-day management of the Company's business, which shall be managed by experienced professionals in accordance with the standards of first-rate operators of wireless communications companies. Except as determined by the Manager pursuant to this Agreement, no Member or representative shall have any right or authority to take any action on behalf of the Company with respect to third parties or to bind the Company.

Section 6.2. Removal of Manager

(a) Removal of Manager

Subject to FCC approval if required, CTC shall be removed as the Manager, and the management of the Company shall be transferred to a successor Manager in accordance with Section 6.2(b) and Section 6.2(c), (i) if CTC is unwilling or unable to serve as the Manager,

or would not be considered a Qualified Person if CTC itself were the applicant or licensee, as the case may be, in respect of the licenses bid for or held by the Company at any time prior to the Reference Date, or commits a Significant Breach at any time, or (ii) in the event of Substandard Performance by the Company at any time after the Reference Date.

(b) Successor Manager

In the event that CTC is removed as the Manager pursuant to Section 6.2(a), the management of the Company shall be transferred to a successor Manager, which shall (i) be, if then required in order for the Company to retain the Auction Benefits, a Qualified Person, and (ii) be subject to the prior approval of AWS, which approval shall not be unreasonably withheld. CTC (or, if it fails to do so, the other Members by affirmative vote of a majority of Percentage Interests not held by CTC) shall designate the successor Manager as soon as reasonably practicable, but in any event no later than 30 days after notice from any other Member that one or more of the events specified in Section 6.2(a) has occurred. CTC shall continue to act as Manager until the Successor Manager assumes the management of the Company. CTC shall take whatever steps are commercially reasonable to assist the successor Manager in assuming the management of the Company including, without limitation, transferring to the successor Manager all historical financial, tax, accounting and other data in the possession of CTC, and giving such consents, assigning such permits and executing such instruments as may be necessary to vest in the successor Manager those rights that were necessary for CTC to perform its obligations. The parties acknowledge and agree that, in order to attract and retain an appropriate successor Manager, the holders of a majority of the Percentage Interests not held by CTC may determine to cause the Company to issue Interests (or otherwise grant an equity interest or the equivalent) to such successor Manager, and that

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any such issuance or grant will be dilutive to the Members including CTC.

(c) Dispute Resolution

Any dispute over the removal of the Manager pursuant to Section 6.2(a) shall be resolved by arbitration in accordance with Section 11.3, provided, that (i) the arbitrators shall be instructed to render their decision within 30 days after the commencement of any such proceeding and (ii) AWS shall pay (A) the fees and expenses of the arbitrators in connection with such proceeding and (B) if the arbitrators rule in favor of the Manager, the reasonable out-of-pocket fees and expenses of the Manager in connection with such proceeding.

Section 6.3. Supermajority Approval Rights

All Significant Matters shall require the prior written approval of AWS Sub; provided, that the approval of AWS Sub in the case of clause (13) (appointment of a replacement Management Company) of the definition of Significant Matters shall not be unreasonably withheld.

Section 6.4. Business Plans and Budgets

(a) Five-Year Business Plan

As soon as practicable after the execution of this Agreement, CTC shall, after consultation with AWS Sub, prepare and adopt a five-year high-level business plan (the "Five-Year Business Plan"), which shall include business forecasts, appropriate explanations of the Manager's proposed strategy, with details of assumptions used, and in addition will set forth the general goals and parameters for the Company's business and operations consistent with good business practice in the wireless telecommunications industry.

(b) Annual Business Plans and Budgets

The Manager shall, after consultation with AWS Sub, prepare and adopt a detailed annual business plan and detailed annual budget. Drafts of each annual business plan and budget will be distributed to AWS Sub for its review and comment no later than 30 days following the adoption of the Five-Year Business Plan (in the case of the initial annual business plan and budget) and no later than 30 days prior to the end of each fiscal year of the Company (in the case of each subsequent annual business plan and budget). Each such annual business plan will set forth the business and operational parameters and objectives for such year, including appropriate explanations of the Manager's proposed strategy. Each such budget shall include a detailed breakdown of the following, together with the details of the material assumptions used: (i) monthly revenue, operating expenses and interest expenses; (ii) quarterly capital expenditures and cash flow; (iii) balance sheet and income statement; and (iv) expected funding requirements and the proposed methods of meeting such requirements. Each annual business plan and annual budget shall be consistent with the Five-Year Business Plan then in effect.

(c) No Other Business Plans or Budgets

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No business plans or budgets shall be adopted except in accordance with the provisions of this Section 6.4.

Section 6.5. Provisions Relating to Additional Members

Notwithstanding anything herein to the contrary, neither the Additional Members nor their respective successors or Permitted Transferees shall have any voting rights as Members of the Company or otherwise in respect of their Interests, nor shall they have any right to participate in the management of the Company or in any decisions, elections or other determinations by the Members, except as expressly set forth herein.

ARTICLE 7
TRANSFER RESTRICTIONS

No Member may Transfer all or any part of its Interests, including interests in any of its Subsidiaries that directly or indirectly own Interests, except in compliance with the following provisions of this ARTICLE 7.

Section 7.1. Restrictions

(a) Transfers by Certain Members

Except as expressly hereinafter set forth, without the consent of AWS Sub, the Members other than AWS Sub may not Transfer their Interests for seven years after the Initial Grant Date other than to their respective Permitted Transferees. Following the seventh anniversary of the Initial Grant Date, the Members other than AWS Sub shall, subject to Section 7.2 and the other provisions of this ARTICLE 7, have the right to Transfer their Interests to any Person; provided, that unless AWS and AWS Sub have defaulted in their obligation to pay the Put Price pursuant to Section 9.5, (i) the CTC Members may not Transfer their Interests to any Person unless all (but not less than all) of their collective Interests are transferred to such Person contemporaneously and (ii) Edge may not Transfer its Interests to any Person unless all (but not less than all) of its Interests are transferred to such Person contemporaneously.

(b) No Transfer of Right to Manage

The right to manage the Company pursuant to this Agreement shall not be transferable with the Interests of CTC without the prior written consent of AWS Sub. Accordingly, if CTC transfers 25% or more of its Interests, and AWS Sub elects not to exercise its right of first refusal pursuant to Section 7.3(a), then, subject to FCC approval, the right to manage the Company shall be transferred to a successor Manager, which shall (x) be, if then required in order for the Company to retain the Auction Benefits, a Qualified Person, (y) not be a competitor or an Affiliate of a competitor of AWS or its Affiliates and (z) be subject to the prior approval of AWS Sub, which approval shall not be unreasonably withheld.

(c) No Transfers to Competitors

So long as AWS Sub owns an Interest, the Members other than AWS Sub may

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not transfer any or all of their Interests to a competitor of AWS Sub or its Affiliates, or an Affiliate of any such competitor, without AWS Sub's prior consent.

(d) Certain Indirect Transfers

Transfers (or issuances) of Equity Interests of any Person that directly or indirectly owns Equity Interests in a Member shall be considered a transfer by such Member of its Interests in the Company if the Fair Market Value of such Interests is 25% or more of the Fair Market Value of (x) such Person or (y) the Equity Interests being transferred or issued; provided, that transfers or issuances of Equity Interests issued by AWS shall in no event be considered a transfer by AWS Sub of its Interests.

Section 7.2. Exceptions

(a) Transfers by Members of CTC

The provisions of Section 7.1 shall not apply to (i) the Cash Equity Investors, except with respect to transfers of their interests in CTC, whether held directly by the Cash Equity Investors or through one or more intermediaries (it being understood that this exception is intended to restrict transfers effected by the Cash Equity Investors themselves and their Subsidiaries, rather than transfers effected by direct and indirect owners of interests in the Cash Equity Investors), and (ii) transfers or issuances of the Equity Interests of the Alaska Native Corporations, unless such transfer results in a Change of Control of ASRC or would impair the ability of the Company to realize the Auction Benefits.

(b) Transfers by AWS Members

Notwithstanding anything herein to the contrary, but subject to the provisions of Section 15.3, the restrictions set forth in Section 7.1 shall not apply to (A) transfers of Interests in the Company held by AWS Sub (or its Permitted Transferees) to any direct or indirect wholly owned Subsidiary of AWS or (B) transfers of direct or indirect interests in AWS Sub to any direct or indirect wholly owned Subsidiary of AWS.

(c) Transfers by Edge

The provisions of Section 7.1 shall not apply to transfers or issuances of the Equity Interests of Edge Holding, or to the transfer of all (but not less than all) of the Interests held by Edge to a new entity ("New Edge"), unless such transfer, issuance or distribution (i) is to a competitor or an Affiliate of a competitor of AWS or its Affiliates, (ii) results in a Change of Control of Edge or (iii) would impair the ability of the Company to realize the Auction Benefits.

(d) Pledges by Certain Members

(i) The members of CTC may pledge their Equity Interests in CTC to secure loans the proceeds of which are used to fund their capital

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contributions to CTC to the extent necessary for CTC to obtain the capital required to be contributed to the Company hereunder, provided, that any such pledge and its terms (A) shall be subject to the prior approval of AWS Sub, which shall not be unreasonably withheld, and (B) shall in no event permit the lender to take any action that would impair the Company's eligibility to hold any of the licenses won in the Auction or that could result in the Company's losing any Auction Benefits.

(ii) Edge may pledge its Interests to a bank, or other financial institution of nationally recognized standing, provided, that any such pledge and its terms (A) shall be subject to the prior approval of AWS Sub, which shall not be unreasonably withheld, and which shall be granted if the pledge provides AWS Sub or its Affiliates with a right of first refusal (satisfactory to AWS Sub in its reasonable discretion) with respect to any sale or other disposition of Interests by the lender upon a foreclosure and is otherwise on customary terms, and (B) shall in no event permit the lender to take any action that would impair the Company's eligibility to hold any of the

licenses won in the Auction or that could result in the Company's losing any Auction Benefits.

Section 7.3. Right of First Refusal

(a) Notice and Exercise of Right

If, following the expiration of the seven-year period referred to in Section 7.1(a), any Members other than AWS Sub (the "Sellers") receive and wish to accept a bona fide written offer (the "Offer") from a bona fide third party who is not a Permitted Transferee (the "Offeror") to purchase all or (except as otherwise provided below) any portion of their Interests (the "Offered Interests"), then the Sellers shall give notice of such Offer (the "Offer Notice") to AWS Sub, which notice shall identify the Offeror, enclose a copy of the Offer, and irrevocably offer to AWS Sub the right to purchase the Offered Interests at the same purchase price, which must be payable in cash, and on the other terms and conditions as specified in the Offer (if the Offered Interests are the only assets being sold) or for cash at their Fair Market Value (if the Offered Interests are being Transferred in such transaction or series of related transactions with other assets or for consideration other than cash); provided, that AWS Sub shall be entitled to pay for the Offered Interests with instruments of indebtedness to the extent the Offer contemplates the delivery of instruments of indebtedness; provided, further, that unless AWS and AWS Sub shall have defaulted in their obligation to pay the Put Price pursuant to Section 9.5, the Offered Interests must constitute all (but not less than all) of the Interests of the Sellers. AWS Sub may exercise its right to purchase the Offered Interests by notifying the Sellers in writing of its election to purchase within 21 days after the later of (x) delivery of the Offer Notice and (y) any determination of Fair Market Value pursuant to Section 7.7 or otherwise.

(b) Closing of Purchase

If AWS Sub duly elects to purchase the Offered Interests, the closing of

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such purchase (the "RoFR Closing") shall take place on a date agreed to by the Sellers and AWS Sub, but in no event later than 30 days following the exercise by AWS Sub of its election to purchase; provided, that if governmental or regulatory approval is required for AWS Sub to consummate its purchase and has not been obtained, the RoFR Closing with respect to such purchase may be deferred until no later than 30 days following the finality of the order granting such approval, unless finality is waived by AWS Sub.

(c) Representations at Closing

At any RoFR Closing, the Sellers shall represent and warrant in writing to AWS Sub only that the Sellers (i) are the sole beneficial and record owners of the Offered Interests and have good and marketable title thereto free and clear of all Liens (other than restrictions imposed pursuant to this Agreement) and (ii) have full power and authority to sell the Offered Interests without conflict with the terms of any law, order or material agreement or instrument binding upon them or their assets; and the Sellers shall deliver to AWS Sub such

customary instruments of assignment with respect to the Offered Interests as may be reasonably requested by AWS Sub.

(d) Sale to Third Party

Subject to Section 7.2(b), if AWS Sub fails to exercise its right to purchase the Offered Interests, the Sellers may accept the Offer and sell the Offered Interests to the Offeror; provided, that such sale shall be at a price, and on other terms and conditions, no less favorable than those specified in the Offer Notice and otherwise in accordance with this ARTICLE 7. If such sale is not consummated within 90 days after the expiration of the applicable time periods specified in paragraph (b) above, subject to extension for up to an additional 360 days as shall be necessary to obtain any required governmental or regulatory approval, such right to sell shall lapse and Transfers of the Offered Interests shall again be subject to the provisions of this Section 7.3.

(e) Assumption of Agreements

At any closing with respect to a sale to a third party, the Offeror shall execute a counterpart to this Agreement and any Related Agreements to which the Sellers or their Affiliates are party and shall be bound by the provisions of and assume the obligations of the Sellers under all such Agreements. The Sellers and the Offeror shall execute such documents as AWS Sub may reasonably request to evidence such assumption. Notwithstanding the foregoing, the Sellers shall not be relieved of any of their obligations under this Agreement or any Related Agreement arising prior to such sale, to the extent such obligations shall not be discharged by the third party.

Section 7.4. Tag-Along Right

In lieu of exercising its rights under Section 7.3, AWS Sub may, within 30 days following receipt of any Offer Notice, elect to participate in such sale by including therein all (but not less than all) of its Interests in the Company. Such sale, if any, shall be made on the same terms and conditions as

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the sale described in the Offer Notice (except that in the sole discretion of AWS Sub, provided that AWS and AWS Sub shall not have defaulted in their obligation to pay the Put Price pursuant to Section 9.5, instead of receiving the same consideration payable to the Sellers, the consideration payable to AWS Sub shall be a cash amount equal to the Fair Market Value of its Interests to be transferred) and the Sellers may not consummate their sale unless such sale, if any, by AWS Sub is consummated simultaneously in accordance with the terms hereof. If AWS Sub fails to elect to participate in such sale and such sale is not consummated within the applicable time periods specified above in Section 7.3, the restrictions provided for in this Section 7.4 shall again become effective, and no transfer of Interests may be made thereafter by the Sellers other than in accordance with this ARTICLE 7.

Section 7.5. Substituted Members

Prior to any Transfer of Interests by a Member, the transferor shall deliver to other Members a notice setting forth the identity of the transferee, and shall provide such other information as the other Members may reasonably request in connection with such Transfer. The transferee shall be admitted as a Member upon execution of a counterpart to this Agreement evidencing its agreement to be bound hereby. Upon the admission of any such transferee as a Member, the transferring Member or Members shall be relieved of any obligation arising under this Agreement subsequent to such Transfer with respect to the Interests being transferred (provided that the transferee shall assume all such obligations), and if the transferring Member no longer holds any Interests, the transferring Member shall be relieved of its obligations arising under this Agreement to the extent provided in Section 15.3. In connection with any Transfer of an Interest or any portion thereof (other than pursuant to ARTICLE 9), and any admission of an assignee as a Member, the Member making such Transfer and the assignee shall furnish the Manager, and a majority in Percentage Interest of the non-transferring Members, with such documents regarding the Transfer as the Manager may reasonably request (in form and substance satisfactory to the Manager), including a copy of the Transfer instrument, a ratification by the assignee of this Agreement (if the assignee is to be admitted as a Member), a legal opinion that the Transfer complies with applicable federal and state securities laws, a legal opinion that the Transfer will not result in the Company's termination under Section 708 of the Code (unless the Member making such Transfer and the assignee agree, by execution and delivery of a written instrument, in form and substance reasonably satisfactory to the Manager and a majority in Percentage Interest of the non-transferring Members, to indemnify the Company and the other Members with respect to any liabilities, obligations, damages, losses, costs and expenses, including but not limited to reasonable attorneys' fees and court costs, arising out of such a termination of the Company resulting from such transfer) and a legal opinion that the Transfer will not violate the FCC Rules (including adversely affecting the status of the Company in the Auction as an entrepreneur and very small business under the relevant FCC Rules) or this Agreement. In connection with any Transfer (other than pursuant to ARTICLE 9), the Company will, at the request of the Member making such Transfer and at such Member's sole expense, use commercially reasonable efforts to cause to be made any filing required by the FCC.

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Section 7.6. Invalid Transfers Void

Any purported Transfer of an Interest or any part thereof not in compliance with the provisions of this ARTICLE 7 shall be void and of no force or effect and the transferring Member shall be liable to the other Members and the Company for all liabilities, obligations, damages, losses, costs and expenses (including but not limited to reasonable attorneys' fees and court costs) arising out of such non-complying Transfer.

Section 7.7. Determination of Fair Market Value

The Fair Market Value of Interests to be transferred or other property received pursuant to this Agreement shall be determined in accordance with this Section 7.7. For

purposes of this Section 7.7, Sellers owning a majority of the applicable Offered Interests shall have the right to act on behalf of the Sellers. Within 15 days after the delivery of the notice requiring such determination, the Sellers and AWS Sub shall attempt in good faith to agree on the Fair Market Value. If the Sellers and AWS Sub fail within 15 days thereafter to agree thereon, each of the Sellers and AWS Sub shall deliver a notice to the other appointing as its appraiser ("Appraiser") an independent accounting or investment banking firm of nationally recognized standing. The Sellers and AWS Sub by mutual agreement shall also appoint a third Appraiser. If after appointment of the two Appraisers, the Sellers and AWS Sub are unable to agree upon a third Appraiser, such appointment shall be made within fifteen days of the request by the American Arbitration Association, or any organization successor thereto, from a panel of arbitrators having experience in the appraisal of the type of property then the subject of appraisal. The decisions of the three Appraisers so appointed and chosen shall be given within 30 days after the selection of such third Appraiser. If the determination of one Appraiser differs from the middle determination by more than twice the amount by which the other determination differs from the middle determination, then the determination of such Appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive on the parties; otherwise the average of all three determinations shall be binding and conclusive. The Sellers' obligation to provide an Offer Notice pursuant to Section 7.2 shall not be applicable until the date of delivery of such determination to AWS Sub. The costs of conducting any Appraisal Procedure shall be borne as follows: (x) the costs of the Appraiser designated by the Sellers and other costs separately incurred by the Sellers shall be borne by the Sellers; (y) the costs of the Appraiser designated by AWS Sub and other costs separately incurred by AWS Sub shall be borne by AWS Sub; and (z) the costs of the third Appraiser, if any, shall be shared equally by the Sellers and AWS Sub.

Section 7.8. Acceptance of Prior Acts

Any Permitted Transferee or other Person who becomes a Member of the Company, accepts, ratifies and agrees to be bound by all actions duly taken pursuant to the terms and provisions of this Agreement by the Company prior to the date it became a Member and, without limiting the generality of the

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foregoing, specifically ratifies and approves all agreements and other instruments as may have been executed and delivered on behalf of the Company prior to the said date and which are in force and effect on said date.

ARTICLE 8
[INTENTIONALLY OMITTED]

ARTICLE 9
PUT RIGHT

Section 9.1. Put Right

During the Put Period, CTC shall have the right (the "Put") to require AWS to purchase all (but not less than all) of the collective Interests held by the CTC Members and

the Additional Members at a purchase price (the "Put Price") determined in accordance with Section 9.3 and subject to the other terms and conditions set forth in this ARTICLE 9.

Section 9.2. Put Exercise

CTC may exercise the Put, on behalf of itself and the CTC Members and the Additional Members, if any, by delivering a notice of exercise to AWS during the Put Period. Any such election shall be irrevocable as to all of the CTC Members and the Additional Members. No Member other than CTC shall have any right to exercise the Put. If CTC exercises the Put, it shall (i) within five business days thereafter file with the FCC an appropriate application for transfer of control of the licenses held by the Company and, if the Put Period begins prior to the Reference Date, an appropriate certification that the minimum build-out of the licenses held by the Company has been completed, (ii) resign as Manager, such resignation to be effective on the closing of the Put following FCC approval thereof, in which event CTC shall cooperate with AWS Sub in identifying a successor manager of the Company, and (iii) take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the Put (including without limitation the making of all filings necessary under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, provided that AWS Sub shall reimburse CTC for the filing fee payable in connection with any such filings).

Section 9.3. Put Price

(a) After Reference Date

If the Put is exercised on or after the Reference Date, then the Put Price shall be equal to:

(i) the sum of all cash contributions made by the CTC Members and the Additional Members to the capital of the Company (up to a maximum of $262,500,000 in the case of the CTC Members and $7,500,000 in the case of Edge) not allocable to the licenses (if any) that are

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transferred to the New LLC as contemplated by Section 9.7 (it being understood that, for purposes of this Section 9.3, and notwithstanding Section 2.2(c)(ii), all capital contributions to the Company made by the CTC Members and the Additional Members shall be allocated to the licenses acquired by the Company in the Auction on a pro rata basis in accordance with their respective purchase prices); plus

(ii) an amount equal to a 24.7% per annum return on the contributions described in Section 9.3(a)(i), from and including the respective dates on which such contributions were made until but not including the date on which the Put Price is paid (the "Date of Payment") (except that if CTC exercises the Put after the first day of the Put Period, no return shall accrue on the contributions described in Section 9.3(a)(i) from and including the second day of the Put Period until but not

including the date on which CTC exercises the Put), calculated on the basis of the actual number of days elapsed in such periods and compounded annually; plus

(iii) the amount of any Adjusted Bidding Credits to which the CTC Members and the Additional Members are entitled pursuant to Section 9.6.

(b) Before Reference Date

If the Put is exercised prior to the Reference Date, then the Put Price shall be equal to:

(i) the Put Price that the CTC Members and the Additional Members would have received under Section 9.3(a)(i) and Section 9.3(a)(ii), calculated as if the Put Price were paid on the Reference Date, discounted at the rate of 5% per annum from the Reference Date to the Date of Payment; plus

(ii) the amount of any Adjusted Bidding Credits to which the CTC Members and the Additional Members are entitled pursuant to Section 9.6.

Section 9.4. Put Closing

Except as otherwise provided in Section 9.5(d), AWS shall, or shall cause AWS Sub or (subject to Section 15.3) another designee, to pay the Put Price, against delivery of customary documentation (including without limitation representations regarding the Interests being transferred in substantially the form of the representations required to be delivered pursuant to Section 7.3(c)) effecting the transfer of the Interests to AWS or AWS Sub or such designee, as the case may be, free and clear of Liens, at a closing to be held within five business days following the exercise of the Put by CTC or, if FCC approval is required in connection with the Put, within two business days after such approval is obtained by a preliminary order or decision from the FCC (whether or not any appeal or request for reconsideration or review of such order is

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pending, or whether the time for filing any such appeal or request for reconsideration or review, or for any such sua sponte action by the FCC with similar effect, has expired), but in no event later than one year following the exercise of the Put by CTC. Upon closing of the Put, the Members other than AWS shall automatically cease to be (i) Members of the Company and (ii) parties to this Agreement, in each case without any further action required of the parties hereto.

Section 9.5. Payment

(a) Consideration

The Put Price may be paid in cash or in Marketable Securities or any combination thereof. If paid in Marketable Securities, the CTC Members and the Additional Members shall use commercially reasonable efforts to sell such securities as soon as reasonably practicable and in any event within ten business days after receipt thereof, and the CTC Members and the Additional Members shall provide such information as may be reasonably requested by the AWS in order to confirm the amount of the sales proceeds. If the net

proceeds received by the CTC Members or the Additional Members, as the case may be, upon the sale of such Marketable Securities during such ten-day period exceeds the Put Price allocable to such party, then the CTC Members or the Additional Members, as applicable, shall pay to AWS such excess and if the net proceeds received by the CTC Members or the Additional Members, as the case may be, upon the sale of such Marketable Securities is less than the Put Price allocable to such party, then AWS shall pay the deficiency to the CTC Members or the Additional Members, as applicable, in either case upon demand made within three business days following the expiration of such ten-day period.

(b) Obligation to Pay

The obligation of AWS to pay the Put Price at the closing of the Put shall not be subject to any set-off or offset of whatsoever nature, and AWS shall make such payment regardless of the value of the assets held by the Company or any breach or claim of breach of any provision by CTC or any Additional Member (it being understood that AWS shall have all of its other rights and remedies available at law or in equity with respect to any such breach), or other circumstances or occurrences, including bankruptcy, insolvency, liquidation or winding up of CTC or any Additional Member or any other agreement among or between the Members or the parties to this Agreement. In addition, AWS shall make such payment whether or not the Company is or has been declared bankrupt and whether or not any Interests then exist (provided, that in such event the CTC Members and the Additional Members shall have assigned to AWS Sub as of the Date of Payment, by execution of documentation reasonably satisfactory to AWS Sub, all of the rights and interests derived from such Interests that no longer exist). CTC shall not make any distribution to its members pending any good faith claims existing on the Date of the Payment by AWS or AWS Sub against CTC or its Affiliates until the earlier of completion of arbitration of such claims pursuant to Section 11.3 or one year after the closing of the Put; provided, that the amount CTC shall refrain from distributing shall be limited to the aggregate amount of any such claims. No

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Additional Member shall make any distribution to its members pending any good faith claims existing on the Date of the Payment by AWS or AWS Sub against such Additional Member or its Affiliates until the earlier of completion of arbitration of such claims pursuant to Section 11.3 or one year after the closing of the Put; provided, that the amount such Additional Member shall refrain from distributing shall be limited to the aggregate amount of any such claims.

(c) Senior Obligation

(i) The Put shall be a senior obligation of AWS and shall rank pari passu in right of payment with all other senior obligations of AWS (it being understood that, except as provided below, inter-company obligations shall rank junior for purposes of this Section 9.5).

(ii) Notwithstanding clause (i) above:

(A) Prior to the Replacement Date, the Put may be subordinated to up to $10 billion of inter-company obligations of AWS to AT&T Corp. and/or

its Affiliates ("Rollover Debt"). Prior to the Replacement Date, the Put shall at all times either (1) rank pari passu in right of payment with all senior obligations of AWS other than $10 billion of Rollover Debt or (2) be secured by an irrevocable letter of credit in favor of CTC and the Additional Members, from a national financial institution reasonably acceptable to CTC, securing the maximum amount payable under the Put if the Put Price were paid on the date which is six months after the Reference Date (it being understood that the election between alternatives (1) and (2) shall be in the discretion of AWS). "Replacement Date" means the date that is (x) nine months following the Initial Grant Date or (y) if later, the date that is three months following the completion of the spinoff of AWS from AT&T Corp. but in no event more than 12 months following the Initial Grant Date.

(B) From and after the Replacement Date, the Put shall at all times either (1) rank pari passu in right of payment with all senior obligations of AWS or (2) be secured by an irrevocable letter of credit in favor of CTC and the Additional Members, from a national financial institution reasonably acceptable to CTC, securing the maximum amount payable under the Put if the Put Price were paid on the date which is six months after the Reference Date (it being understood that the election between alternatives (1) and (2) shall be in the discretion of AWS).

(iii) The Put shall be unsecured; provided, that to the extent that any senior obligations of AWS are secured, the Put with respect to that portion of the Interests held indirectly by Alaska Native Corporations shall share ratably in such security, i.e., such portion of the Put shall rank pari passu with all senior secured obligations of AWS

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and AWS will grant for the benefit of such Alaska Native Corporations a pro rata Lien in any such collateral on terms and subject to conditions that are substantially similar to the terms and conditions of the Liens in such collateral granted to senior lenders of AWS.

(d) Prepayment of Put Price

If CTC exercises the Put, AWS may in its sole discretion make, or cause AWS Sub to make, an advance payment to CTC and the Additional Members of any portion of the Put Price as AWS may determine, and in such event the 24.7% per annum return shall cease to accrue on the amount of such advance payment on the date such advance payment is made. CTC and the Additional Members shall take all actions reasonably requested by AWS Sub, consistent with FCC Rules, to accomplish the closing of the Put as promptly as practicable. In all events, CTC and the Additional Members shall continue to comply with the covenants set forth in Section 12.2(a) and Section 12.2(b). Without limiting the generality of the foregoing, each of CTC and the Additional Members agrees that, if FCC approval of the Put is not obtained within one year after the Put is exercised, CTC and the Additional Members will take such other actions as may be reasonably requested by AWS to accomplish the foregoing objectives, including without limitation transferring the Interests to a third party upon FCC approval therefor.

Section 9.6. Allocation of Bidding Credits

At the Date of Payment, AWS shall, or shall cause AWS Sub to, pay (i) CTC an amount equal to the CTC Portion and (ii) Edge an amount equal to the Edge Portion.

Section 9.7. New LLC

If, at the time of exercise of the Put, the FCC Rules restricting the free transferability of C or F block PCS licenses or interests therein still apply to some (but not all) of the licenses then held by the Company, the Members shall form a new Delaware limited liability company (the "New LLC"), under the terms and conditions described in this Section 9.7, and shall transfer, subject to the consent of the FCC, to the New LLC all of such licenses (and all corresponding assets, liabilities, capital accounts and rights). The New LLC shall be governed by a limited liability company agreement that is identical to this Agreement as then in effect. The New LLC will have the benefit of any and all contracts relating to the licenses transferred to the New LLC.

Section 9.8. Terminated Auction Purchase

(a) Licenses Are Not Granted or Are Revoked

Notwithstanding the foregoing provisions of this ARTICLE 9, if after completion of the Auction the winning bid for any license won by the Company is rejected or the award of any license to the Company is rescinded or revoked as the result of action by the FCC or by any court or other Governmental Authority, then:

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(i) except as otherwise provided in clause (ii) below, to the extent that any License Payment for such license is refunded by the FCC within a year following the date on which CTC made the capital contribution in respect of such License, (1) except as provided below, the Company will return to the Members the respective amounts of capital provided by them in respect of such license and (2) AWS will pay to CTC and the Additional Members an amount equal to a 24.7% per annum return on the amount (up to a maximum of $262,500,000 in the case of the CTC Members and $7,500,000 in the case of Edge) of such capital provided by them from the date of their respective capital contributions through the date that such return is paid to them; and

(ii) to the extent that any License Payment for such license is refunded by the FCC after a year following the date on which CTC made such capital contribution, or within a year of such date if such license is granted and subsequently rescinded or revoked, (1) except as provided below, the Company will return to the Members the respective amounts of capital provided by them in respect of such license and (2) AWS will pay to CTC and the Additional Members an amount equal to a 24.7% per annum return on the amount (up to a maximum of $262,500,000 in the case of the CTC Members and $7,500,000 in the case of Edge) of such capital provided by them from the date of their respective capital contributions through

(A) the first anniversary of such capital contribution if such payment is refunded within 12 months following the date of its capital contribution,

(B) the 18-month anniversary of such capital contribution if such payment is refunded on or after the first anniversary and before the 18-month anniversary of the date of its capital contribution,

(C) the second anniversary of such capital contribution if such payment is refunded on or after the 18-month anniversary and before the second anniversary of the date of its capital contribution,

(D) the third anniversary of such capital contribution if such payment is refunded on or after the second anniversary and before the third anniversary of the date of its capital contribution,

(E) the fourth anniversary of such capital contribution if such payment is refunded on or after the third anniversary and before the fourth anniversary of the date of its capital contribution, and

(F) the fifth anniversary of such capital contribution if such payment is refunded on or after the fourth anniversary and before the fifth anniversary of the date of its capital contribution;

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provided, that if the winning bid for any license won by the Company is rejected, or the award of any license to the Company is rescinded or revoked, as the result of a breach by CTC of its representations or covenants in Section 12.1(i), Section 12.2(c) and Section 12.3, then CTC and the Additional Members shall be entitled only to a return of the amount of capital contributed by CTC and the Additional Members to the Company in respect of such license.

(iii) Notwithstanding the foregoing provisions of this Section 9.8(a), if after giving effect to any such rejection, rescission or revocation of licenses, the aggregate amount of capital deployed by the Company is at least $525,000,000, no capital shall be returned to CTC or any Additional Member and the provisions of Section 9.1 through Section 9.7 (inclusive) shall continue to apply to all of the capital contributed to the Company by the CTC Members and the Additional Members.

(b) Threatened Revocation of Licenses

If the award of any license won by the Company in the Auction is challenged in a proceeding brought before the FCC or any court of competent jurisdiction within 15 months after the date on which CTC contributed capital to the Company that was used to fund any License Payment in respect of such license, AWS will offer CTC the opportunity to recover the portion of any such amount allocable to the contributions made by the Cash Equity Investors by selling a corresponding portion of its Interests. If CTC elects within 30 days of

such offer to sell such Interests, the purchase price shall be equal to CTC's portion of the aggregate amount (up to a maximum of $262,500,000) of any License Payment in respect of the relevant licenses plus a 24.7% per annum return on such aggregate amount from the date(s) of the corresponding capital contributions through the date that such return is paid to CTC. If CTC does not elect to sell such Interests, the provisions of subparagraph (a) above shall apply to any license that is the subject of any such proceeding, and if the challenge to the award of any license won by the Company in the Auction is upheld as the result of a breach by CTC of its representations or covenants herein, then CTC shall be entitled only to a return of the amount of capital contributed by CTC to the Company in respect of such license (and CTC shall promptly remit to AWS any excess received by CTC to which it is not entitled, and which excess CTC agrees not to distribute to its members pending the resolution of such challenge).

(c) Calculation of Return

The 24.7% per annum return in this Section 9.8 shall be calculated as if all capital contributions to the Company made by the CTC Members and the Additional Members are allocated to the licenses acquired by the Company in the Auction, and to the License Payments made for such Licenses, in accordance with Schedule 3.

ARTICLE 10
REGISTRATION RIGHT

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Section 10.1. Registration Right

On a single occasion during the 180-day period following the ninth anniversary of the Initial Grant Date, the CTC Members may elect to cause the Company (i) to convert to a corporation ("Newco") and (ii) subject to the following provisions of this ARTICLE 10, to register for sale in an underwritten public offering (the "Offering") shares of capital stock of Newco issued to such Members upon conversion, so long as the anticipated gross proceeds to the CTC Members from the Offering are greater than $100,000,000 in the aggregate. If the CTC Members make such election, the Members and the Company shall promptly take such steps as may be necessary or desirable to effectuate the provisions of this ARTICLE 10.

Section 10.2. Right to Purchase - Preliminary Range

The underwriters of the Offering (who shall be selected by the CTC Members and shall be reasonably acceptable to AWS Sub) will, within 30 days after delivery of such election, in good faith establish a preliminary range for the price to the public in the Offering. AWS Sub may elect to purchase all, but not less than all, of the Interests of the Company (i.e., prior to the conversion into Newco) then held by the Members other than AWS Sub, at a price equal to the lesser of (i) 80% of the midpoint of the preliminary range and (ii) an amount equal to the Put Price (excluding any Adjusted Bidding Credits) as of the Reference Date plus simple interest on such amount at a rate of 15% per annum from the Reference Date until paid. If AWS Sub fails to make such election, the Offering will proceed.

Section 10.3. Right to Purchase - IPO Price

If the final price per share at which shares of capital stock of Newco are to be offered to the public (the "IPO Price") is lower than the midpoint of the preliminary range by $1.00 or more, AWS Sub may elect, within 24 hours after the determination of the IPO Price (during which time the registration statement will not become effective), to purchase all, but not less than all, of the Interests of the Company (i.e., prior to the conversion into Newco) then held by the Members other than AWS Sub, at a price equal to the lesser of (i) 80% of the IPO Price and (ii) an amount equal to the Put Price (excluding any Adjusted Bidding Credits) as of the Reference Date plus simple interest on such amount at a rate of 15% per annum from the Reference Date until paid. If AWS fails to make such election, the Members other than AWS Sub will (subject to Section 10.4) have 90 days to complete the Offering.

Section 10.4. Right to Defer the Offering

If AWS Sub determines that a registration pursuant to this ARTICLE 10 would interfere with any pending or contemplated material acquisition, disposition, financing or other material transaction involving the Company or AWS or any of its Affiliates or would require the Company to disclose material information that would otherwise not be disclosed at such time (and such disclosure would be prejudicial to the Company), the Company will defer such registration at the request of AWS; provided, that the aggregate of all such

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deferrals shall not exceed 180 days in any 360-day period.

Section 10.5. Registration Expenses

Except as hereinafter provided, all expenses incident to the Company's performance of or compliance with this ARTICLE 10 will be borne by the Company. In addition, the Company shall pay or reimburse the Members participating in the Offering (the "Participating Members") for the reasonable fees and expenses of one attorney to the Participating Members selected by CTC incurred in connection with a registration pursuant to this ARTICLE 10. Except as provided in the immediately preceding sentence, each Participating Member shall bear the costs and expenses of any underwriters' discounts and commissions or other fees, brokerage fees or transfer taxes relating to the Interests in the Company or shares of capital stock of Newco sold by such Member, and the fees and expenses of any other attorneys, accountants or other representatives retained by such Member.

Section 10.6. Registration Procedures

If Newco is required to effect the Offering, Newco will, as promptly as reasonably practicable:

(a) prepare and file with the SEC a registration statement on an appropriate form, and thereafter use its reasonable best efforts to cause such registration statement to become effective and to remain effective and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith

as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until the lesser of (i) such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the Participating Members set forth in such registration statement and (ii) 90 days; provided that Newco will, at least ten business days prior to filing a registration statement or prospectus or any amendment or supplement thereto, furnish to each Participating Member copies of such registration statement or prospectus (or amendment or supplement) as proposed to be filed (including, upon the request of any Participating Member, documents to be incorporated by reference therein) which documents will be subject to the reasonable review and comments of such Participating Member (and its attorneys) during such ten-business day period and Newco will not file any registration statement, any prospectus or any amendment or supplement thereto (or any such documents incorporated by reference) containing any statements with respect to such Participating Member to which such Participating Member shall reasonably object in writing;

(b) furnish to each Participating Member and to any underwriter such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 or Rule 430A under the Securities Act, in conformity with the requirements

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of the Securities Act, documents incorporated by reference in such registration statement, amendment, supplement or prospectus and such other documents (in each case including all exhibits), as a Participating Member or underwriter may reasonably request;

(c) after the filing of the registration statement, promptly notify each Participating Member of the effectiveness thereof and of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered and promptly notify such Participating Member of such lifting or withdrawal of such order;

(d) use its reasonable best efforts to register or qualify all shares held by the Participating Members and other securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as the Participating Members holding a majority of the shares to be included in such registration or the underwriter shall reasonably request, to keep such registration or qualification in effect for so long as such registration statement remains in effect, and take any other action which may be reasonably necessary or advisable to enable the Participating Members to consummate the disposition in such jurisdictions of the securities owned by such Participating Members, except that Newco shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this Section 10.6(d) be obligated to be so qualified, to subject itself to taxation in any such jurisdiction or to consent to general service of process in any such jurisdiction;

(e) use its reasonable best efforts to cause all shares covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the Participating Members to consummate the disposition of such shares;

(f) furnish to each Participating Member and to each underwriter, if any, a signed counterpart of: (i) an opinion of counsel for Newco addressed to such Participating Member and underwriter on which opinion both the Participating Members and such underwriter are entitled to rely and (ii) a "comfort" letter signed by the independent public accountants who have certified Newco's financial statements included in such registration statement, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as the managing underwriter therefor reasonably request. Newco will use its commercially reasonable efforts to have such comfort letters addressed to each Participating Member;

(g) immediately notify each Participating Member at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and as promptly as practicable under the circumstances prepare and furnish to such Participating Member a reasonable number of copies of any supplement to

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or amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(h) make available for inspection by any Participating Member, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other professional retained by any such Participating Member or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of Newco (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and shall cause Newco's officers, directors and employees to supply all information reasonably requested by any Inspectors in connection with such registration statement. Each such Participating Member agrees that information obtained by it as a result of such inspections shall be deemed confidential and shall not be disclosed or used by it as the basis for any market transactions in the securities of Newco or its Affiliates unless and until such information is made generally available to the public. Each such Participating Member further agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to Newco and allow Newco, at its expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential;

(i) use its reasonable best efforts to list all shares covered by such registration statement on any securities exchange or quotation system on which any of Newco's shares are then listed or traded; and

(j) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement or such other document that shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

Newco may require each Participating Member to promptly furnish to Newco, as a condition precedent to including such Participating Member's shares in the Offering, such written information regarding such Participating Member and the distribution of such securities as Newco may from time to time reasonably request in writing.

Each Participating Member agrees that upon receipt of any notice from Newco of the happening of any event of the kind described in Section 10.6(g), such Participating Member will forthwith discontinue such Participating Member's disposition of shares pursuant to the registration statement relating to such shares until such Participating Member's receipt of the copies of the supplemented or amended prospectus contemplated by Section 10.6(g) and, if so directed by Newco, will deliver to Newco (at Newco's expense) all copies, other than permanent file copies, then in such Participating Member's possession, of the prospectus and any amendments or supplements thereto relating to such shares current at the time of receipt of such notice. In the event Newco shall give such notice, Newco shall extend the period during which the effectiveness of such registration statement shall be maintained by the number of days during the

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period from and including the date of the giving of notice pursuant to Section 10.6(g) to the date when Newco shall make available to the Participating Members a prospectus supplemented or amended to conform with the requirements of Section 10.6(g).

ARTICLE 11
OTHER AGREEMENTS

Section 11.1. Exclusivity

(a) AWS

Neither AWS nor any Affiliates that it controls shall participate directly or indirectly in the Auction (including by providing debt or equity financing or other assistance to a bidder) except as a Member of the Company; provided, that AWS and its Affiliates may participate directly or indirectly in the Auction either individually or with others so long as a substantial majority of the amount that AWS has committed (or will commit) to deploy to purchase licenses in the Auction shall be committed to be deployed through the Company with the objective of CTC being able to invest $262,500,000; provided, that neither AWS nor its Affiliates shall be in violation of this covenant if under FCC Rules such entity is deemed to be an "applicant" or "bidder" in the Auction (as such terms are defined in Section 1.2105(c)(6)(i) of the FCC Rules) solely by reason of its equity ownership in, or the right to

designate directors or officers (or individuals with similar functions) of, another participant in the Auction.

(b) CTC

Neither CTC nor any Affiliates that it controls shall participate directly or indirectly in the Auction (including by providing debt or equity financing or other assistance to a bidder) except as a Member of the Company. So long as they hold Interests and thereafter until they have certified to the other Members as to the return or destruction of any Confidential Information of the Company pursuant to Section 11.2, neither CTC nor any Affiliates that it controls shall (except as set forth on Schedule 2) directly or indirectly own FCC licenses to provide wireless voice or data telephony in the Restricted Territory, or "attributable interests" (as defined in any applicable FCC Rules) in such licenses, or otherwise compete with the Company in the Restricted Territory; provided, that (1) CTC and its Affiliates may, subject to the provisions of Section 11.2, participate in, and acquire licenses in, the FCC's auction of licenses in the 747-762 and 777-792 MHz band (Auction No. 31); (2) this provision shall not require CTC or its Affiliates to divest themselves of FCC licenses set forth on Schedule 2 or FCC licenses acquired in any geographic territory (outside the Company Territory) prior to the time that such territory becomes part of the AWS Territory; and (3) CTC and its Affiliates may own up to three percent of the equity securities of a public company or, if less, that number of shares which, combined with other rights granted to CTC or such Affiliate, do not give CTC or such Affiliate the right to designate a member of the board of directors of such company.

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(c) Cash Equity Investors

The Cash Equity Investors shall not be subject to the provisions of this Section 11.1.

Section 11.2. Confidentiality

(a) Non-Disclosure

Each party agrees that it will, and will cause each of its Affiliates, and each of its and their respective partners, members, managers, shareholders, directors, officers, employees and agents (collectively, "Agents") to use its best efforts to maintain the confidentiality of all non-public information disclosed to it by the other party or the definitive agreements contemplated herein or through its interest in the Company or the operation of its business or the use or ownership of its assets, by limiting internal disclosure of any such information to those who have an actual need to know such information in connection with the Auction or the transactions contemplated hereby, and will not, without the prior written consent of the disclosing party, use such information other than in connection with the transactions contemplated herein, provided, however, that the confidentiality obligations in this paragraph do not apply to information that (i) was or becomes available to the public through no action by the receiving party or (ii) was or becomes available to such receiving party on a non-confidential basis.

(b) Exceptions

Notwithstanding paragraph (a) above, any party may disclose the existence and terms of this Agreement and the transactions contemplated hereby (i) to federal and state regulatory agencies in connection with applications for approval of such transactions (or, in the case of any regulated Affiliate of a Member, in connection with audits by the applicable regulatory authorities), (ii) to financial institutions in connection with financings of the transactions contemplated hereby and (iii) if counsel for any party advises that a press release or public disclosure is required by law or the applicable rules of any stock exchange, then the parties shall use their best efforts to cause a mutually acceptable press release to be issued, and in all events the party required to make such disclosure will be free to do so; provided in each case that confidential treatment is requested from any such person to whom such information is disclosed and the other parties hereto are notified contemporaneously of such disclosure; provided, further, that the parties acknowledge that the Bidding Protocol constitutes valuable trade secrets of the Company and is extremely sensitive and confidential, and will not be disclosed by the parties unless disclosure is compelled by regulatory or other legal process and then only upon adequate prior notice to the other party, which party shall have an opportunity to seek an appropriate protective order, and such disclosure will be made only to the extent necessary to comply with the requirements of the regulatory or legal process under which it is so compelled.

(c) Damages

If AWS or CTC violates the provisions of this Section 11.2 in a manner

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that has a material adverse effect on the transactions contemplated by this Agreement, then AWS or CTC, as the case may be, shall be liable to the other for $2,000,000 in liquidated damages.

Section 11.3. Arbitration

(a) Arbitration

Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Within 15 days after the commencement of arbitration, each party shall select one person to act as arbitrator and the two selected shall select a third arbitrator within 10 days of their appointment. If the arbitrators selected by the parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be selected by the American Arbitration Association. The place of arbitration shall be San Francisco, California or such other place (outside the States of Alaska and Washington) as the parties may agree. The arbitrators shall be knowledgeable in the wireless telecommunications industry and public auctions of FCC licenses.

(b) Interim Relief

Either party may apply to the arbitrators seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy under this agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitral tribunal (or pending the arbitral tribunal's determination of the merits of the controversy).

(c) Discovery

Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, promptly provide the other with copies of documents relevant to the issues raised by any claim or counterclaim on which the producing party may rely in support of or in opposition to any claim or defense. Any dispute regarding discovery, or the relevance or scope thereof, shall be determined by the arbitrators, which determination shall be conclusive. All discovery shall be completed within 45 days following the appointment of the arbitrators.

(d) Depositions

At the request of a party, the arbitrators shall have the discretion to order examination by deposition of witnesses to the extent the arbitrators deems such additional discovery relevant and appropriate. Depositions shall be limited to a maximum of three per party and shall be held within 20 days of the making of a request. Each deposition shall be limited to a maximum of four hours duration. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary or Confidential Information.

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(e) Award

The award shall be made within 90 days of the filing of the notice of intention to arbitrate, and the arbitrators shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended by agreement of the parties and the arbitrators if necessary.

ARTICLE 12
REPRESENTATIONS AND COVENANTS

Section 12.1. Representations of the Members

Each of the Members represents and warrants as follows:

(a) It is a corporation or limited liability company, as the case may be, duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and has the requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted and as proposed to be conducted.

(b) It has the requisite power and authority to execute, deliver and perform this Agreement and the Related Agreements to which it is a party and each other instrument, document, certificate and agreement required or contemplated to be executed, delivered and performed by it hereunder.

(c) It is duly qualified to do business in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary.

(d) Its execution and delivery of this Agreement and the Related Agreements to which it is a party and its consummation of the transactions contemplated hereunder and thereunder have been duly and validly authorized by its Board of Directors (or equivalent body) and no other proceedings on its part which have not been taken are necessary to authorize this Agreement or such Related Agreements or to consummate such transactions.

(e) This Agreement and the Related Agreements to which it is a party have each been duly executed and delivered by it and constitute its valid and binding obligations, enforceable against it in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally.

(f) Neither its execution, delivery and performance of this Agreement, nor its consummation of the transactions contemplated hereunder or under the Related Agreements to which it is a party, will (i) conflict with, or result in a breach or violation of, any provision of its constituent documents; (ii) constitute, with or without the giving of notice or passage of time or both, a breach, violation or default, create a Lien, or give rise to any right of termination, modification, cancellation, prepayment or acceleration, under (A) any law or license or (B) any note, bond, mortgage, indenture, lease,

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agreement or other instrument, in each case which is applicable to or binding upon it or any of its assets; or (iii) require any consent which has not already been obtained.

(g) There is no (i) action, claim, proceeding, investigation or controversy pending or, to its knowledge, threatened against it or any of its properties or assets, or (ii) judgment, order, award or consent decree outstanding against or affecting it, in either event that could have an adverse effect on its ability to consummate the transactions contemplated under this Agreement or to fulfill its obligations hereunder.

(h) It has, and will have on each date it is required to make a capital contribution under this Agreement, cash available to it in an amount sufficient to fully fund such capital contribution.

(i) Neither it nor any of its attributable interest holders are "former defaulters" as defined in the Public Notice.

Section 12.2. Covenants of the Members

(a) Each Member shall at all times (i) observe all corporate or limited liability company formalities, as the case may be, including the maintenance of current minute books, (ii) maintain, separate from any other Person, its own separate and distinct books of account, bank accounts and corporate or limited liability company records, (iii) maintain separate financial statements and cause its financial statements to be prepared and maintained in accordance with GAAP in a manner that indicates the separate existence of such Member and its assets and liabilities, (iv) pay all its liabilities out of its own funds (including the salaries of its own employees), (v) maintain and use its own separate stationary, invoices and checks, (vi) in all dealings with the public or third parties identify itself and conduct its own business under its own name as a separate and distinct legal entity rather than as a division of its parent, (vii) maintain an arm's-length relationship with its Affiliates and (viii) independently make decisions with respect to its business and daily operations.

(b) No Member shall (i) pledge its assets for the benefit of any other Person, (ii) commingle its assets with those of any other Person, (iii) assume or guarantee the liabilities or obligations of any other Person or otherwise hold out its credit as being available or able to satisfy the Indebtedness, liabilities or obligations of any other Person, (iv) acquire obligations or securities of, or make loans or advances to, any of its Affiliates, (v) permit there to be a complete identity of its managers and officers with the managers and officers of any of its Affiliates, (vi) incur any indebtedness, liabilities or obligations relating to the operation of its business or (vii) engage in any business activities other than holding and managing its Interests.

(c) Each Member will (i) take all actions necessary for the Company to timely apply and qualify to participate as a bidder in the Auction; (ii) timely furnish, and will cause its Affiliates to timely furnish, such information as may be required to be provided, under FCC Rules, in or in

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connection with the Company's short-form application to participate in the Auction and post-Auction long-form application and associated filings; (iii) not participate, and will cause Affiliates that it controls (i.e., Affiliates that AWS controls in the case of AWS Sub and Affiliates that CTC controls in the case of CTC) to refrain from participating, directly or indirectly, in the Auction or in or in connection with any other actual or potential bidder in the Auction, to the extent such action would disqualify, restrict or limit the Company from participating fully in the Auction or otherwise would violate any applicable FCC Rule; (iv) for the purposes of fulfilling its intention to comply fully with the FCC's prohibition of collusion, adopt and implement "Chinese Wall" and other similar precautionary measures to ensure that, except as permitted under FCC Rules, (A) no information concerning the substance of any Company bid or bidding strategy is disclosed to another applicant (as those terms are defined in Section 1.2105(c) of the FCC's Rules) during the time in which the prohibition of collusion is in effect for the Auction and (B) neither the Company nor any member of the Auction Committee, during the time in which the prohibition of collusion is in effect for the Auction, has access to information that is learned by any Member in the conduct of its routine business, that could indirectly reveal the bids or bidding strategy of another applicant.

Section 12.3. Representations and Covenants of Members Other Than AWS

(a) Each of CTC and the Additional Members hereby represents and covenants as to itself that:

(i) on the date the Company files its long form application for licenses won in the Auction and for so long thereafter as may be required under FCC Rules, except as set forth on Schedule 2, neither it nor its members (and, in the case of CTC, the Alaska Native Corporations and any Affiliates that they control) will have an attributable interest (as defined in the relevant FCC Rules) in a license for Commercial Mobile Radio Services ("CMRS") spectrum that would cause (A) the Company to be unable to be the licensee of the full amount of CMRS spectrum allowed under the FCC Rules or would render the Company ineligible in any other respect to hold any of the licenses won in the Auction or (B) AWS or any of its Affiliates to be unable to be the licensee of any license for CMRS held by AWS or any of its Affiliates on the date the Company files its long form application and in each case such Member agrees that if it or any of its members does have such an attributable interest, it shall promptly take steps, consistent with the FCC Rules, to enable (x) the Company to hold any of the licenses won in the Auction and (y) AWS or its Affiliates to hold any license for CMRS held on the date the Company files its long form application); and

(ii) for so long as may be required under FCC Rules, it would qualify as an "entrepreneur" and a "very small business" under the terms of FCC Rules in effect on the Initial Application Date, including but not limited to Sections 1.2110(b)(1), 24.709(a), and 24.720(b) of the FCC Rules, as those rules are clarified in the FCC's Public Notice, DA 00-2038, dated September 6, 2000, and Public Notice, DA 00-2259, dated October 5, 2000, if CTC itself were the applicant or the licensee, as the case may be.

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(b) CTC shall not permit the amendment, modification or waiver of any provision of its certificate of formation or limited liability company agreement, nor shall CTC enter into any agreement, arrangement or understanding with any Person, that could reasonably be expected to result in a material breach or default of any representation or covenant of CTC contained in this Agreement.

Section 12.4. Termination by AWS

(a) AWS may terminate this Agreement if CTC (i) is not in compliance with the representation set forth in Section 12.3(a)(i) or (ii) fails to qualify as of the Initial Application Date as required under Section 12.3(a)(ii), unless CTC remedies such non-compliance or failure in time for the Company to participate in the Auction in accordance with this Agreement and CTC compensates AWS or the Company, as the case may be, for any adverse consequences resulting therefrom.

(b) If CTC fails to qualify as of the Initial Application Date as required under Section 12.3(a)(ii), and such failure has not resulted from a change in applicable FCC Rules (including the promulgation of an order or similar action by the FCC), and AWS terminates this Agreement, then CTC agrees that it shall pay AWS on demand the sum of $50,000,000 (together with interest thereon at 18% per annum from the time of demand until paid) as liquidated damages. Upon any such termination of this Agreement, the Company (or, in the event the Company does not have adequate capital, AWS) shall refund the capital contributions of CTC and the Additional Members in redemption of their respective Interests; provided, that if AWS makes a demand for liquidated damages under this paragraph (b), the Company will deposit in escrow $50,000,000 of the capital contributions made by CTC (or, if less, the total amount of capital contributions made by CTC). If CTC disputes such demand within ten days thereof, the dispute will be resolved in accordance with Section 11.3, and the Company will disburse the escrowed funds as instructed by the arbitrators; if CTC does not dispute such demand within such ten-day period, the Company will disburse the escrowed funds to AWS on the next business day thereafter. Such liquidated damages shall be the sole and exclusive remedy of AWS and AWS Sub for such failure.

(c) If CTC's failure to so qualify results from a change in applicable FCC Rules (including the promulgation of an order or similar action by the FCC), then the parties shall promptly take reasonable steps to enable CTC to so qualify, provided, that the relative economic and other rights and benefits expected to be derived by the parties hereunder are preserved.

ARTICLE 13
EXCULPATION AND INDEMNIFICATION

Section 13.1. No Personal Liability

(a) Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no

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Indemnified Person (as defined in paragraph (b) below) shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being an Indemnified Person.

(b) No Member or its Affiliates, or any of their respective shareholders, directors, officers, employees, agents, members, managers, or partners (each, an "Indemnified Person") shall be liable, responsible or accountable in damages or otherwise to the Company or to any other Indemnified Person for any act or omission performed or omitted by an Indemnified Person in connection with the transactions contemplated hereby, whether for mistake of judgment or negligence or other action or inaction, unless such action or omission constitutes willful misconduct, gross negligence or bad faith. Each Indemnified Person may consult with counsel, accountants and other experts in respect of the affairs of the Company and such Indemnified Person shall be fully protected and justified in any action or inaction which is taken in good faith in accordance with the advice or opinion of such counsel, accountants or other experts, provided that they shall have been selected with reasonable care.

Section 13.2. Indemnification by Company

To the maximum extent permitted by applicable law, the Company shall protect, indemnify, defend and hold harmless each Indemnified Person for any acts or omissions performed or omitted by an Indemnified Person (in its capacity as such) unless such action or omission constituted willful misconduct, gross negligence or bad faith. The indemnification authorized under this Section shall include payment on demand (with appropriate evidence of the amounts claimed) of reasonable attorneys' fees and other expenses incurred in connection with, or in settlement of, any legal proceedings between the Indemnified Person and a third party and the removal of any Liens affecting any property of the Indemnified Person. Such indemnification rights shall be in addition to any and all rights, remedies and recourse to which any Indemnified Person shall be entitled, whether or not pursuant to the provisions of this Agreement, at law or in equity. The indemnities provided for in this Section 13.2 shall be recoverable only from the assets of the Company, and there shall be no recourse to any Member or other Person for the payment of such indemnities.

Section 13.3. Notice and Defense of Claims

(a) Notice of Claim. If any action, claim or proceeding ("Claim") shall be brought or asserted against any Indemnified Person in respect of which indemnity may be sought from the Company under Section 13.2, the Indemnified Person shall give prompt written notice of such Claim to the Company, which may assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Person and the payment of all of such counsel's fees and expenses; provided that any delay or failure to so notify the Company shall relieve the Company of its obligations hereunder only to the extent, if at all, that it is prejudiced by reason of such delay or failure. Any such notice shall refer to Section 13.2 and describe in reasonable detail the facts and circumstances of the Claim being asserted.

(b) Defense by the Company. In the event that the Company undertakes the defense of the Claim, the Company will keep the Indemnified Person advised

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as to all material developments in connection with any Claim, including, but not limited to, promptly furnishing the Indemnified Person with copies of all material documents filed or served in connection therewith. The Indemnified Person shall have the right to employ one separate firm per jurisdiction with respect to any of the foregoing Claims and to participate in the defense thereof, but the fees and expenses of such firm shall be at the expense of the Indemnified Person unless both the Indemnified Person and the Company are named as parties and representation by the same counsel is inappropriate due to actual differing interests between them; provided that under no circumstances shall the Company be liable for the fees and expenses of more than one law firm per jurisdiction in any of the foregoing Claims for the Indemnified Persons, taken collectively and not separately. The Company may, without the Indemnified Person's consent, settle or compromise any Claim or consent to the entry of any judgment if such settlement, compromise or judgment involves only the payment of money damages by the Company (which payment is made or adequately provided for at the time of such settlement, compromise or judgment) or provides for the unconditional release by the claimant or plaintiff of the Indemnified Person and its Affiliates

from all liability in respect of such Claim and does not impose injunctive relief against any of them. The Indemnified Person shall provide reasonable assistance to the Company in the defense of the Claim. As between the Company, on the one hand, and the Indemnified Persons, on the other hand, any matter that is not agreed to unanimously by the Indemnified Persons shall be determined by the Indemnified Person that is a party to this Agreement.

(c) Defense by the Indemnified Person. In the event that the Company, within 20 business days after receiving written notice of any such Claim, fails to assume the defense thereof, the Indemnified Person shall have the right, subject to the right of the Company thereafter to assume such defense pursuant to the provisions of this ARTICLE 13, to undertake the defense, compromise or settlement of such Claim for the account of the Company.

(d) Advancement of Expenses. Unless the Indemnifying Party shall have assumed the defense of any Claim pursuant to paragraph (b) above, the Company shall advance to the Indemnified Person any of its reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any such Claim. Each Indemnified Person shall agree in writing prior to any such advancement, that in the event he or it receives any such advance, such Indemnified Person shall reimburse the Company for such fees, costs, and expenses to the extent that it shall be determined that he or it was not entitled to indemnification under this ARTICLE 13.

(e) Contribution. Notwithstanding any of the foregoing to the contrary, the provisions of this ARTICLE 13 shall not be construed so as to provide for the indemnification of any Indemnified Person for any liability to the extent (but only to the extent) that such indemnification would be in violation of applicable law or to the extent such liability may not be waived, modified, or limited under applicable law, but shall be construed so as to effectuate the provisions of this ARTICLE 13 to the fullest extent permitted by law; provided, that if and to the extent that the Company's indemnification obligation under this ARTICLE 13 is unenforceable for any reason, the Company

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hereby agrees to make the maximum contribution permissible under applicable law to the payment and satisfaction of the losses of the Indemnified Person, except to the extent such losses are found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the Indemnified Person's gross negligence or willful misconduct.

ARTICLE 14
DISSOLUTION AND TERMINATION

Section 14.1. No Withdrawal

Except as expressly provided in this Agreement or as otherwise provided by law, (a) no Member shall have the right, and each Member hereby agrees not, to dissolve, terminate or liquidate the Company, or to resign or withdraw as a Member and (b) CTC shall have no right, and CTC hereby agrees not to, resign or withdraw as the Manager.

Section 14.2. Dissolution

The Company shall be dissolved upon the written determination of the Manager to dissolve the Company, if approved by AWS Sub as provided in Section 6.3, but only on the effective date of dissolution specified by the Manager in such determination.

Section 14.3. Procedures Upon Dissolution

(a) General. In the event the Company dissolves it shall commence winding up pursuant to the appropriate provisions of the Act and the procedures set forth in this Section 14.3. Notwithstanding the dissolution of the Company, until the winding up of the Company's affairs is completed, the business of the Company and the affairs of the Members, as such, shall continue to be governed by this Agreement.

(b) Control of Winding Up. The winding up of the Company shall be conducted under the direction of the Manager or such other Person as may be designated by a court of competent jurisdiction (herein sometimes referred to as the "Liquidator"); provided that any Member whose breach of this Agreement shall have caused the dissolution of the Company (and the representatives appointed by such Member) shall not participate in the control of the winding up of the Company; and provided further, that if the dissolution is caused by entry of a decree of judicial dissolution, the winding up shall be carried out in accordance with such decree.

(c) Manner of Winding Up. The Company shall engage in no further business following dissolution other than that necessary for the orderly winding up of business and distribution of assets. The Company's maintenance of offices shall not be deemed a continuation of business for purposes of this Section 14.3. Upon dissolution of the Company, the Liquidator shall, subject to paragraph (a) above, first attempt to distribute assets in kind if it can obtain the consent of each of the Members and, to the extent necessary, the creditors of the Company. If such consent is not obtained, the Liquidator shall sell the Company or all the Company's property in such manner and on such terms as it

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deems fit, consistent with its fiduciary responsibility and having due regard to the activity and condition of the relevant market and general financial and economic conditions. Each Member shall share Profits, Losses and other items after the dissolution of the Company and during the period of winding up in the same manner as described in ARTICLE 4.

(d) Application of Assets. Upon dissolution of the Company, the Company's assets (which shall, after the sale or sales referenced in paragraph (c) above, consist of the proceeds thereof) shall be applied as follows:

(i) Creditors. To creditors, including Members who are creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Company (whether by payment or the reasonable provision for the payment thereof). Any reserves set up by the Liquidator may be paid over by the Liquidator to an escrow agent or trustee, to be held in escrow or trust for the purpose of paying any such contingent or unforeseen liabilities or obligations, and, at the expiration of such

period as the Liquidator may deem advisable, such reserves shall be distributed to the Members or their assigns in the manner set forth in paragraph (ii) below.

(ii) Members. By the end of the taxable year in which the liquidation occurs (or, if later, within 90 days after the date of such liquidation), to the Members in proportion to the positive balances of their respective Capital Accounts, as determined after taking into account all Capital Account adjustments for the taxable year during which the liquidation occurs (other than those made pursuant to this paragraph).

Section 14.4. Deficit Capital Accounts

If the Company is "liquidated" within the meaning of Treasury Reg. Section 1.704-1(b)(2)(ii)(g), (a) distributions shall be made pursuant to this ARTICLE 14 to the Members who have positive Capital Accounts in compliance with Treasury Reg. Section 1.704-1(b)(2)(ii)(b)(2), and (b) if AWS Sub has a deficit balance in its Capital Account (after giving effect to all contributions, distributions, and allocations for all years, including the year during which such liquidation occurs), AWS Sub shall contribute to the capital of the Company the amount necessary to restore such deficit balance to zero. Notwithstanding the foregoing, AWS Sub shall not be obligated to contribute an amount in excess of 95% of the capital contributed by the Members other than AWS Sub.

Section 14.5. Termination

Upon completion of the winding up of the Company and the distribution of all Company assets, the Company's affairs shall terminate and the Members shall cause to be executed and filed any and all documents required by the Act to effect the termination of the Company.

ARTICLE 15

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MISCELLANEOUS

Section 15.1. Entire Agreement

This Agreement and the Related Agreements, together with any schedules and exhibits hereto and thereto, contain the entire agreement and understanding of the Members relating to the subject matter hereof and supersede all prior negotiations, proposals, offers, agreements (including the Formation Agreement, dated as of November 3, 2000, as amended and restated as of November 22, 2000, among CTC, AWS and AWS Sub) and understandings (written or oral) relating to such subject matter.

Section 15.2. Amendment; Waiver

Neither this Agreement nor any provision hereof may be amended or modified except in a writing signed by CTC and AWS Sub; provided, that this Agreement may not be amended or modified in a manner that would have a material adverse effect on the economic

benefits of any Additional Member hereunder without the prior written consent of such Member. No failure or delay of any Member in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce any such right or power, preclude any other further exercise thereof or the exercise of any other right or power. No waiver by any Member of any departure by any other Member from any provision of this Agreement shall be effective unless the same shall be in a writing signed by the Member against which enforcement of such waiver or consent is sought, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice or similar communication by any Member to another shall entitle such other Member to any other or further notice or similar communication in similar or other circumstances, except as specifically provided herein.

Section 15.3. Successors and Assigns

This Agreement may not be assigned without the prior written consent of all the parties hereto and any assignment without such prior written consent shall be null and void and without force or effect; provided, that AWS Sub may assign its Interests and this Agreement in whole or in part to (i) any direct or indirect wholly owned Subsidiary of AWS (it being understood and agreed that no such assignment shall relieve AWS of its liability and obligations with respect to the Put or any other financial obligation of AWS hereunder) and (ii) a Person designated by AWS, provided, that the admission of such Person shall be subject to the prior approval of CTC, not to be unreasonably withheld, and shall not materially impair the transactions contemplated hereby. In the event of an assignment by AWS Sub to a Person as contemplated by clause (ii) above, the rights and responsibilities of AWS and AWS Sub hereunder will be allocated to such Person as appropriate, subject to the prior approval, not to be unreasonably withheld, of CTC (it being understood and agreed that, unless otherwise agreed by CTC, no such assignment shall relieve AWS of its liability and obligations with respect to the Put or any other financial obligation of AWS

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hereunder). The parties further agree that after the Auction, the Manager may, after consultation with the Management Company, and subject to FCC Rules, exchange one or more of the Company's licenses for licenses held or other assets owned by third parties, in which event the provisions of this Agreement and the definitive agreements contemplated hereby that pertain to such licenses shall be modified by the parties as appropriate.

Section 15.4. No Third Party Beneficiaries

This Agreement is entered into solely for the benefit of the Members and no Person other than the Members, their respective successors and permitted assigns, their Affiliates to the extent expressly provided herein, and (to the extent provided in ARTICLE 13) the Persons entitled to indemnification pursuant to ARTICLE 13, may exercise any right or enforce any obligation hereunder.

Section 15.5. Disposition of Interests

Upon the sale or other disposition by a Person of all its Interests in the Company, following which such Person and Affiliate thereof is no longer a Member of the Company, this Agreement shall terminate as to such Member and its Affiliates except as provided in Section 15.6.

Section 15.6. Survival of Rights and Duties

Termination of this Agreement for any reason, and any Member ceasing to be a Member or a party to this Agreement for any reason, shall not relieve any Member of any liability which at the time of termination or cessation has already accrued to such Member or which thereafter may accrue in respect of any act or omission prior to such termination or cessation, nor shall any such termination or cessation affect in any way the Related Agreements or the survival of any right, duty or obligation of any Member which is expressly stated elsewhere in this Agreement to survive termination or cessation hereof. The provisions of Section 2.2(d), Section 11.2, Section 11.3, Section 12.4(b), ARTICLE 13, ARTICLE 14 and ARTICLE 15 shall survive any termination of this Agreement and any Member ceasing to be a Member or a party to this Agreement for any reason.

Section 15.7. Governing Law

This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without regard to principles of conflicts of law.

Section 15.8. Specific Performance

The Members acknowledge that money damages may not be an adequate remedy for violations of this Agreement and that any Member may, in its sole discretion, in an arbitration or a court of competent jurisdiction, to the extent permitted hereunder, apply for specific performance or injunctive or other relief as such arbitration or court may deem just and proper in order to enforce this Agreement or to prevent violation hereof and, to the extent permitted by applicable law, each Member waives any objection to the imposition

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of such relief.

Section 15.9. Remedies Cumulative

All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall, unless otherwise specifically provided herein, be cumulative and not alternative, and the exercise or beginning of the exercise of any right, power or remedy thereof by a Member shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Member.

Section 15.10. Further Assurances

Each Member will execute and deliver such further documents and take such further actions as any other Member may reasonably request consistent with the provisions hereof in order to effect the intent and purposes of this Agreement.

Section 15.11. Expenses

The Company shall pay directly, or shall reimburse the Members for, the costs and expenses the Members incur for the benefit of the Company in connection with the Company's participation in the Auction (e.g., the cost of bidding facilities and related computer hardware and software). In addition, at the closing of the acquisition of licenses won in the Auction, the Company shall reimburse CTC and AWS Sub for costs and expenses associated with the transactions contemplated by this Agreement that are incurred by them at or prior to such closing, as follows: (i) to CTC, up to $12 million and (ii) to AWS Sub, up to $7 million, provided that the Company shall be obligated to pay the amounts referred to in this Section 15.11 only at or after such closing.

Section 15.12. Notices

All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given or made (i) upon delivery if delivered personally (by courier service or otherwise) or (ii) upon confirmation of dispatch if sent by facsimile transmission (which confirmation shall be sufficient if shown on the journal produced by the facsimile machine used for such transmission), and all legal process with regard hereto shall be validly served when served in accordance with applicable law, in each case to the applicable addresses set forth below (or such other address as the recipient may specify in accordance with this Section):

If to CTC, to:

c/o ASRC Wireless Services, Inc.
301 Arctic Slope Avenue, Suite 300
Anchorage, AK 99518-3035
Attention: Conrad N. Bagne
Fax: (907) 349-5476

with a copy to:

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Kirkland & Ellis
Citicorp Center
153 East 53rd Street
New York, NY 10022
Attention: Michael A. Brosse
Fax: (212) 446-6460

If to AWS Sub, to:

c/o AT&T Wireless Services, Inc.
7277 164th Avenue, NE
Redmond, WA 98052
Attention: William W. Hague
Fax: (425) 580-8405

with a copy to:

Friedman Kaplan Seiler & Adelman LLP
875 Third Avenue
New York, NY 10022
Attention: Matthew S. Haiken
Fax: (212) 355-6401

If to Edge, to:

600 S.W. Columbia, Suite 3210
Bend, Oregon 97702
Attention: Wayne M. Perry
Fax: (541) 330-9558

with a copy to:

Andrew Quartner
6921 Mountain Gate Drive
Bethesda, Maryland 20817
Fax: (301) 365-9655

If to any other Member, to the address of such Person for notices set forth in the records of the Company.

Section 15.13. Severability

Subject to Section 15.14, if any term of this Agreement or the application thereof to any Member or any circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement and the application of such term to the other Members or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by applicable law, so long as the economic and legal substance of this Agreement and the actions contemplated hereby is not affected in any manner adverse to any Member.

Section 15.14. Reformation

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(a) If the FCC should (i) change any FCC Rule in a manner that would adversely affect the enforceability of this Agreement, (ii) directly or indirectly reject or take action to

challenge the enforceability of this Agreement or (iii) take any other steps whatsoever, on its own initiative or by petition from another person, to challenge or deny the transactions contemplated hereby, then the parties shall promptly consult with each other and negotiate in good faith to reform and amend this Agreement so as to eliminate or amend to make unobjectionable any portion that is the subject of any FCC action, provided, that the relative economic and other rights and benefits expected to be derived by the parties hereunder are preserved. Neither party shall take any action that is reasonably likely to contribute to such FCC action.

(b) If the parties are unable to agree, within ten days after they begin to consult with each other, on the terms of any reformation of this Agreement, either party may submit the dispute to arbitration pursuant to Section 11.3, provided, that each party shall prepare a form of amendment to this Agreement, and the arbitrators shall be instructed to resolve the dispute within five days (and without discovery) by selecting the form of amendment, without modification, that they determine is most consistent with the intent of the parties as expressed herein, and is consistent with applicable FCC Rules; provided, that the negotiation pursuant to clause (i) above and the arbitration pursuant to this clause (ii) shall in all events be conducted within any deadlines imposed by the FCC.

(c) If the FCC should determine that a portion of this Agreement, after having been reformed pursuant to paragraph (a) or (b) above, continues to violate FCC Rules, then such provisions shall be null and void and the remainder of this Agreement shall continue in full force and effect, provided, that the relative economic and other rights and benefits expected to be derived by the parties hereunder are preserved.

Section 15.15. Independent Contractors

The Members are independent contractors, and this Agreement does not create a partnership or agency relationship between the Members, or any other relationship between the Members except as expressly set forth herein. No Member shall have any right or authority to assume, create or incur any liability or obligation, express or implied, in the name or on behalf of any other Member.

Section 15.16. No Right to Partition

No Member shall have the right to bring an action for partition against the Company. Each of the Members hereby irrevocably waives any and all rights which it may have to maintain an action to partition Company property or to compel any sale or transfer thereof.

Section 15.17. Waiver of Immunity

To the extent that CTC or its members (or their respective affiliates)

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may now or hereafter be entitled to any immunity (including, but not limited to, sovereign immunity) from jurisdiction of any court or other tribunal (including, but not limited to, the American Arbitration Association) or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with

respect to itself or its rights or other assets, CTC hereby waives, on behalf of itself and its members (and their respective affiliates), and agrees not to plead or claim, such immunity in respect of its obligations under this Agreement, or any other agreement, document or instrument executed and delivered in connection herewith, and, without limiting the generality of the foregoing, agrees that the waivers set forth in this paragraph shall have the fullest possible scope and are intended to be irrevocable.

Section 15.18. Construction

Each of the parties hereto acknowledges that it has reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments hereto. The captions used herein are for convenience of reference only and shall not affect the interpretation or construction hereof. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the context may require. Unless otherwise specified, (a) the terms "hereof," "herein" and similar terms refer to this Agreement as a whole, (b) references herein to Articles or Sections refer to articles or sections of this Agreement and (c) the word "including" connotes the words "including without limitation" unless the context requires otherwise.

Section 15.19. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one instrument.

Section 15.20. Headings

All section headings and the recitals herein are for convenience of reference only and are not part of this Agreement, and no construction or reference shall be derived therefrom.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

MEMBERS:

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AT&T WIRELESS PCS INTERESTS, LLC

By AT&T WIRELESS SERVICES, INC.
Its Manager

By: /s/ MARK BRADNER

Name: Mark Bradner
Title: Vice President, Acquisitions and Development

COUNCIL TREE ALASKA NATIVE WIRELESS, L.L.C.

By ASRC WIRELESS SERVICES, INC.,
Its Managing Member

By: /s/ CONRAD BAGNE

Name: Conrad Bagne
Title: President

EDGE WIRELESS VENTURES, LLC

By: /s/ WAYNE M. PERRY

Name: Wayne M. Perry
Title:

COMPANY:

ALASKA NATIVE WIRELESS, L.L.C.

By COUNCIL TREE ALASKA NATIVE WIRELESS, L.L.C.
Its Manager

By ASRC WIRELESS SERVICES, INC.,
Its Managing Member

By: /s/ CONRAD BAGNE

Name: Conrad Bagne
Title: President

AT&T WIRELESS SERVICES, INC.

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By: /s/ MARK BRADNER

Name: Mark Bradner
Title: Vice President, Acquisitions
and Development

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EXHIBIT 10.17

AGREEMENT TO FOREGO COMPENSATION

An Agreement is made between Mohanbir S. Gyani (the "Executive") and AT&T Wireless (the "Company").

WHEREAS, the Executive has been and continues to be a valued key executive of the Company;

WHEREAS, the Company intends to loan an amount to trusts created by the Executive (the "Trusts"); and

WHEREAS, the Executive agrees to forego all of the balance payable to the Executive under his Deferred Compensation Account One ("DCA1").

NOW, THEREFORE, in consideration of the aforementioned promises, and for other consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows, intending to be legally bound.

1. The Company agrees to provide loans to the Trusts. The terms of the loans shall be documented by Promissory Notes (the "Note") to be executed by the Company and the Trusts.

2. In consideration for the Company's promise to make the loans, the Executive's DAC1 balance shall be reduced to zero. Such amount shall be foregone by the Executive, and the Executive hereby irrevocably waives his right to payment of such amount. The reduction in the Executive's account balance shall be effective as of the date that the loan amounts are transferred to the Trusts (or transferred to any third party pursuant to the direction of the trustee of the Trusts) by the Company pursuant to the terms of the Note.

3. The Executive agrees that: the Company has not advised him as to any financial or tax risks associated with this Agreement or the Note to be entered into pursuant to this Agreement; that the Executive has relied solely on his personal advisors in deciding to enter into this Agreement and the related transactions; and, that the Executive (and his successors, heirs and assigns) assume responsibility for any tax or financial risks incurred by the Executive (or his successors, heirs and assigns) resulting from this transaction.

IN WITNESS WHEREOF, the parties hereby execute this Agreement, intending to be legally bound.

AT&T Wireless

/s/ MOHANBIR S. GYANI

By: /s/ JANE MARVIN

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----

Mohanbir S. Gyani

Jane Marvin
Executive Vice President -
Human Resources

October 2, 2001

Date

October 2, 2001

Date

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Exhibit 21.1

COMPANIES IN WHICH AT&T WIRELESS SERVICES, INC.
OWNS 100% DIRECT
AS OF MARCH 14, 2002

<TABLE>
<CAPTION>

ENTITY NAME	PERCENTAGE	JURISDICTION
<S>	<C>	<C>
AT&T Cellular Private Limited	100	Mauritius
AT&T Cellular Services, Inc.	100	Delaware
AT&T Milwaukee JV, Inc.	100	Delaware
AT&T Wireless Acquisition I, Inc.	100	Delaware
AT&T Wireless Asset Management, LLC	100	Delaware
AT&T Wireless Flight Operations, Inc.	100	Washington
AT&T Wireless IDGAR, LLC	100	Delaware
AT&T Wireless Interests, Inc.	100	Delaware
AT&T Wireless Investments, Inc.	100	Delaware
AT&T Wireless Mobile Multimedia Services, LLC	100	Nevada
AT&T Wireless of Santa Barbara, LLC	100	Delaware
AT&T Wireless PCS, LLC	100	Delaware
AT&T Wireless Services JV Co.	100	Delaware
AT&T Wireless Services NewCom JV, Inc.	100	Delaware
AT&T Wireless Services of Alaska, Inc.	100	Alaska
AT&T Wireless Services of California, LLC	100	Delaware
AT&T Wireless Services of Colombia, Inc.	100	Virgin Islands
AT&T Wireless Services of Colorado, LLC	100	Delaware
AT&T Wireless Services of Connecticut, Inc.	100	Nevada
AT&T Wireless Services of Florida, Inc.	100	Florida
AT&T Wireless Services of Hawaii, Inc.	100	Wisconsin
AT&T Wireless Services of Idaho, Inc.	100	Idaho

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AT&T Wireless Services of Minnesota, Inc.	100	Nevada
AT&T Wireless Services of Nevada, Inc.	100	Nevada
AT&T Wireless Services of New Jersey, Inc.	100	New Jersey
AT&T Wireless Services of Oregon, Inc.	100	Nevada
AT&T Wireless Services of San Antonio, Inc.	100	Texas
AT&T Wireless Services of Taiwan, Inc.	100	British Virgin Islands
AT&T Wireless Services of Tulsa, Inc.	100	Nevada
AT&T Wireless Services of Utah, Inc.	100	Nevada
AT&T Wireless Services of Washington, LLC	100	Oregon
AT&T Wireless Services Purchasing Company, LP	100	Delaware
AT&T Wireless Services Texas LP, Inc.	100	Delaware
ATG I, Inc.	100	Delaware
ATG II, Inc.	100	Delaware

</TABLE>

COMPANIES IN WHICH AT&T WIRELESS SERVICES, INC.
OWNS 100% DIRECT
AS OF MARCH 14, 2002

<TABLE>
<CAPTION>

ENTITY NAME	PERCENTAGE	JURISDICTION
<S>	<C>	<C>
AWG, LLC	100	Delaware
AWS National Accounts, LLC	100	Delaware
AWS Caribbean Holdings, Inc.	100	St. Lucia
AWS Caribbean Services, Inc.	100	Delaware
AWS National Accounts, LLC	100	Delaware
Cellular Long Distance Company (DE)	100	Delaware
Cellular Mobile Systems of Texas, Inc.	100	Texas
Cellular Services, Inc.	100	Nevada

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Cellular Services of Buffalo, Inc.	100	Delaware
Continental InterCell, Inc.	100	Delaware
Far East Investment Company Inc.	100	Colorado
Global Signaling Network, Inc.	100	Nevada
Grand Pastures Limited	100	Delaware
Indiana Lending, LLC	100	Delaware
Longview Cellular, Inc.	100	Delaware
LTF, Inc.	100	Nevada
MC Cellular Corporation	100	Delaware
McCaw Cellular Communications, Inc.	100	Delaware
McCaw Cellular Communications of San Francisco/San Jose, Inc.	100	California
McCaw Cellular Communications of Texas, Inc.	100	Texas
McCaw Cellular Interests, Inc.	100	Washington
McCaw Communications of Johnstown, Inc.	100	Pennsylvania
McCaw Communications of Pittsburgh, Inc.	100	Pennsylvania
McCaw Communications of Salem, Inc.	100	Oregon
McCaw Communications of Texarkana, Inc.	100	Arkansas
McCaw Communications of Texas, Inc.	100	Texas
McCaw Communications of the Pacific, Inc.	100	California
McCaw Communications of Wheeling, Inc.	100	West Virginia
McLang Cellular, Inc.	100	Delaware
Media One Far East Telecom, Inc.	100	Delaware
Media One India BV	100	Netherlands
Media One International I BV	100	Netherlands
Media One International II BV	100	Netherlands

</TABLE>

COMPANIES IN WHICH AT&T WIRELESS SERVICES, INC.
OWNS 100% DIRECT

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AS OF MARCH 14, 2002

<TABLE>
<CAPTION>

ENTITY NAME	PERCENTAGE	JURISDICTION
<S>	<C>	<C>
MFC, Inc.	100	Virginia
MMJ, Inc.	100	Delaware
MMM Holdings, Inc.	100	Delaware
Monroe Cellular, Inc.	100	Louisiana
Nevada County Cellular Corporation	100	California
NJ-2 Cellular, Inc.	100	New Jersey
North American Cellular Network, Inc.	100	Delaware
OK-3 Cellular, Inc.	100	Oklahoma
OK-5 Cellular, Inc.	100	Texas
Pine Bluff Cellular Services, Inc.	100	Arkansas
Santa Barbara Cellular, Inc.	100	California
Taiwan Investment Holdings, Inc.	100	British Virgin Islands
TeleCorp Wireless, Inc.	100	Delaware
Tritel, Inc.	100	Delaware
Visalia Cellular Telephone Company	100	Delaware
Winston, Inc.	100	Delaware

</TABLE>

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EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the registration statements on Form S-8 for the AT&T Wireless Services 2001 Long Term Incentive Plan, Employee Stock Purchase Plan, Adjustment Plan, and 401(k) Savings Plan (Registration No. 333-64484), Form S-4/A for the AT&T Wireless Services 25,000,000 Common Shares (Registration No. 333-66592), and Form S-3/A for the AT&T Wireless Services $4,000,000,000 of debt and equity securities (Registration No. 333-74884), of our report dated January 29, 2002, except for note 20, as to which the date is March 7, 2002, relating to the consolidated financial statements of AT&T Wireless Services, Inc. and subsidiaries, which appears in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 29, 2002 relating to the consolidated financial statement schedule, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

Seattle, Washington
March 25, 2002

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