

AT & T Getting Out of T-Mo Fee - Or Not?

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Conflicting reports have emerged on the multibillion dollar break-up fee AT&T will have to pay Deutsche Telekom if the T-Mobile USA deal falls through.

An anonymous source quoted by Reuters said that AT&T would be able to wriggle out of the gigantic bill – \$3 billion in cash, plus AWS spectrum and a cushy roaming deal – under a "number of options."

"There are a number of options under which the (break fee) contract will not come into effect," the unnamed tipster **told Reuters** [1].

The source, said to be familiar with the contract, reported that the fee would be void if regulators took too long to approve the deal or T-Mobile's value fell below a certain amount.

AT&T's merger agreement with Deutsche Telekom indicates it could back out of the transaction if "adverse effects" – forced divestitures of spectrum, infrastructure and customers – surpass \$7.8 billion.

But Deutsche Telekom had a different take on the matter. A company spokesman said that AT&T could drop the merger if concessions passed the \$7.8 billion mark, but that Deutsche Telekom would still get the break-up fee laid out in its contract.

AT&T declined to comment on the rumor.

The operator's plan to close its merger with T-Mobile early next year suffered a major setback last week when the Justice Department sued to **block the transaction** [2], claiming it violated federal antitrust laws.

The FCC has not yet issued its decision on the deal, but agency Chairman Julius Genachowski said the DOJ's lawsuit "raises serious concerns" about the effect of the merger on competition.

AT&T has vowed to fight the DOJ, but its **options are meager** [3]. A court battle would be lengthy and could be ultimately unsuccessful. AT&T also could rework the transaction in an effort to settle out of court, but it is not clear whether such a move would be enough to appease regulators.

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