

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

|                                                 |   |                                        |
|-------------------------------------------------|---|----------------------------------------|
| In the Matter of                                | ) |                                        |
|                                                 | ) |                                        |
| Applications of AT&T Inc.                       | ) | IBFS Files Nos. SAT-T/C-20210322-00037 |
| (Transferor)                                    | ) | SAT-T/C-20210322-00038                 |
|                                                 | ) | SAT-AMD-20210422-00053                 |
| and                                             | ) | SAT-AMD-20210422-00054                 |
|                                                 | ) | SES-T/C-20210322-00546                 |
| DIRECTV Entertainment Holdings LLC              | ) | SES-T/C-20210322-00547                 |
| (Transferee)                                    | ) | SES-AMD-20210428-00741                 |
|                                                 | ) | SES-AMD-20210428-00742                 |
| For Transfer of Control of DIRECTV Enterprises, | ) |                                        |
| LLC                                             | ) | ULS File No. 0009450204                |

**MEMORANDUM OPINION AND ORDER**

**Adopted: July 16, 2021**

**Released: July 16, 2021**

By the Chief, International Bureau; Acting Chief, Wireless Telecommunications Bureau:

**I. INTRODUCTION**

1. In this Order, pursuant to section 310(d) of the Communications Act of 1934, as amended (the Act), we grant the applications of AT&T Inc. (AT&T) and TPG Capital (TPG), an investment management firm, (collectively, the Applicants) for consent to the transfer of control of Commission licenses from AT&T to DIRECTV Entertainment Holdings LLC (New DIRECTV), which will be jointly managed by the Applicants.<sup>1</sup> As discussed below, AT&T will own 70% of the stock of the new company, with TPG receiving 30% in exchange for its cash investment of \$1.8 billion; TPG will also be able to appoint four of the nine board members of the new company. Given the recent divestiture of media assets by TPG, after which it no longer owns any significant interests in video programming or distribution businesses, and the record established in this proceeding, we find no adverse effect on market concentration or likely competitive or public interest harms. Rather, the Applicants contend that the significant new investment will enhance the company's ability to provide existing and new competitive services to the public. As discussed below, we find that approving the proposed transaction serves the public interest.

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<sup>1</sup> See 47 U.S.C. § 310(d); Applications of AT&T Inc. and TPG Capital for Consent to Transfer Control of Licenses (filed Mar. 22, 2021, amended Apr. 22, 2021) (Application); see also 47 CFR §§ 1.948, 25.119. Page citations to the Application refer to the public interest statement submitted as Exhibit A in IBFS File No. SAT-T/C-20210322-00037.

## II. BACKGROUND

### A. Description of the Applicants

2. AT&T is a global provider in telecommunications, media and entertainment, and technology.<sup>2</sup> AT&T reports that in 2020, it had almost 5 million fiber broadband connections, over 6 million retail voice connections and served over 180 million wireless subscribers.<sup>3</sup>

3. DIRECTV offers direct-to-home satellite digital television services to consumers, and U-Verse offers video programming over AT&T's fiber networks. AT&T also offers video programming through its AT&T TV, and Watch TV products. In total, AT&T reports that in 2020, it delivered multichannel video programming to more than 127 million subscribers.<sup>4</sup> The Commission licenses that support the DIRECTV and U-verse TV businesses are held by DIRECTV Enterprises, LLC, a wholly-owned indirect subsidiary of AT&T.<sup>5</sup>

4. TPG is an investment management firm.<sup>6</sup> TPG has previously invested in the multichannel video programming distributor (MVPD) marketplace by combining regional providers RCN, Grande, Wave, and enTouch to create Astound Broadband, which offers gigabit-speed communications infrastructure networks.<sup>7</sup> In June 2021, TPG sold its controlling interest in Astound Broadband.<sup>8</sup>

### B. Description of the Proposed Transaction

5. AT&T has agreed to contribute DIRECTV Enterprises, LLC, and the other assets of AT&T's video business unit to a new entity, New DIRECTV.<sup>9</sup> In exchange, New DIRECTV will issue to a wholly-owned indirect subsidiary of AT&T, V HoldCo LLC, a 70 percent interest in common units of New DIRECTV.<sup>10</sup> An affiliate of TPG, TPG VIII Merlin Investment Holdings, L.P., has agreed to make a cash contribution to New DIRECTV in exchange for a 30 percent interest in common units of New DIRECTV.<sup>11</sup> The Board of Managers of New DIRECTV will be comprised of two representatives from each of AT&T and TPG, two independent non-voting Board members named by each company, and a

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<sup>2</sup> See Application at 2.

<sup>3</sup> AT&T Inc. Annual Report (Form 10-K) at 19-22 (Feb. 25, 2021).

<sup>4</sup> *Id.* at 21.

<sup>5</sup> Application at 4.

<sup>6</sup> *Id.* at 3.

<sup>7</sup> See *id.* at 4.

<sup>8</sup> See, e.g., *Applications Granted for the Transfer of Control of Subsidiaries of Radiate Holdings, L.P. to Stonepeak Associates IV LLC*, Public Notice, DA 21-634 (WCB and IB May 28, 2021); *Stamp Grant*, IBFS File No. SES-T/C-20201202-01289 (IB-SD granted June 1, 2021).

<sup>9</sup> Application at 4. AT&T is retaining its Vrio Latin American satellite television business, its Sky Mexico investment, its regional sports networks, the U-verse network facility assets, the HBO Max streaming platform, and the other WarnerMedia businesses. *Id.* at 2 n.1.

<sup>10</sup> *Id.* at 4.

<sup>11</sup> *Id.* at 4-5. TPG is contributing \$1.8 billion to the new company in exchange for its shares. *AT&T & TPG To Form New Entity To Operate AT&T's U.S. Video Unit*, Press Release, Feb. 25, 2021, <https://www.sec.gov/Archives/edgar/data/732717/000119312521056922/d544248dex991.htm>. (cited at Application n. 9). TPG and TPG VIII Merlin Investment Holdings, L.P. are ultimately controlled by David Bonderman and James Coulter, who are both U.S. citizens. See Application at 3-4, Attach. 2.

ninth Board seat filled by the CEO.<sup>12</sup> The Applicants state that the new company will be co-owned and co-managed and jointly governed by them.<sup>13</sup>

### C. Application Review Process

6. After the Application was accepted for filing,<sup>14</sup> the Rural Media Group, Inc. (RMG) and the ABC Television Affiliates Association, CBS Television Network Affiliates Association, FBC Television Affiliates Association, and NBC Television Affiliates (collectively, the Affiliates Associations) filed comments.<sup>15</sup> The Applicants responded to the comments,<sup>16</sup> and the Affiliates Associations replied to the Applicants.<sup>17</sup>

## III. DISCUSSION

### A. Overall Analysis

7. Under section 310(d) of the Act, we must determine whether the Applicants have demonstrated that the proposed transfer of control of licenses from AT&T to New DIRECTV will serve the public interest, convenience, and necessity.<sup>18</sup> In making this determination, we consider whether the proposed transaction complies with the specific provisions of the Act, other applicable statutes, and the Commission's rules.<sup>19</sup> If the transaction does not violate a statute or rule, we consider whether the transaction could result in public interest harms by substantially frustrating or impairing the objectives or implementation of the Act or related statutes.<sup>20</sup> We then employ a balancing test weighing any potential public interest harms of the proposed transaction against any potential public interest benefits.<sup>21</sup> Where the potential harms appear less likely and less substantial, we accept a lesser showing of potential benefits.<sup>22</sup> The Applicants bear the burden of proving, by a preponderance of the evidence, that the proposed transaction, on balance, serves the public interest.<sup>23</sup>

8. We are persuaded that the proposed transaction presents no substantial harms and that granting the Application is in the public interest. Granting the Application would not violate any statute or Commission rule and we find that the Applicants are qualified to hold FCC licenses. TPG no longer

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<sup>12</sup> *Id.* at 5.

<sup>13</sup> *Id.* at 1.

<sup>14</sup> See *Satellite Radio Applications Accepted for Filing*, Public Notice, Report No. SES-02353 (IB-SD Apr. 7, 2021); *Space Station Applications Accepted for Filing*, Public Notice, Report No. SAT-01541 (IB-SD Apr. 2, 2021); *Wireless Telecommunications Bureau Assignment of License Authorization Applications, Transfer of Control of License Applications, and De Facto Transfer Lease Applications, and Designated Entity Reportable Eligibility Event Applications Accepted For Filing*, Public Notice, Report No. 15793 (WTB Mar. 31, 2021).

<sup>15</sup> RMG Comments (May 7, 2021); Affiliates Associations Comments (May 3, 2021).

<sup>16</sup> Applicants Response (May 12, 2021).

<sup>17</sup> Affiliates Associations Reply (May 24, 2021).

<sup>18</sup> See 47 U.S.C. § 310(d); *Applications of AT&T Inc. and DIRECTV for Consent to Assign or Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 30 FCC Rcd 9131, 9139, para. 18 (2015) (*AT&T/DIRECTV Order*).

<sup>19</sup> *AT&T/DIRECTV Order*, 30 FCC Rcd at 9139-40, para. 18.

<sup>20</sup> See *id.*

<sup>21</sup> See *id.*; *General Motors Corp. and Hughes Electronics Corp., Transferors, and the News Corporation, Transferee*, Memorandum Opinion and Order, 19 FCC Rcd 473, 483, para. 15 (2004) (*News Corp.-Hughes Order*).

<sup>22</sup> See *AT&T/DIRECTV Order*, 30 FCC Rcd at 9238, para. 276.

<sup>23</sup> See *News Corp.-Hughes Order*, 19 FCC Rcd at 483, para 15.

owns any significant interests<sup>24</sup> in video programming or distribution assets and so the proposed transaction does not increase concentration or reduce competition in any market nor raise vertical concerns.<sup>25</sup> The Applicants argue that the transaction will make New DIRECTV a stronger competitor, due to its dedicated management, ability to focus solely on video customers, and the addition of the capital, expertise, and resources of TPG.<sup>26</sup> That claim is not disputed.

## **B. Proposed Conditions**

9. The Affiliates Associations contend that because DIRECTV does not provide local-into-local television service in 12 of the DMAs in which it operates,<sup>27</sup> the Commission should require New DIRECTV to provide local-into-local television service to all 210 Nielsen DMAs.<sup>28</sup> The Affiliates Associations argue that, without such a condition, New DIRECTV will have weakened incentives to serve local communities because of the reduced role that AT&T will play in its ownership.<sup>29</sup> The Applicants respond that this issue is unrelated to the proposed transaction, and that the Commission has denied similar requests from broadcasters in prior transactions involving DIRECTV.<sup>30</sup> The Applicants maintain that the proposed transaction would not affect its incentive or ability to provide local-into-local service.<sup>31</sup> In reply, the Affiliates Associations assert that the cases cited by Applicants were wrongly decided, but also seek to distinguish them from the present transaction.<sup>32</sup>

10. The Applicants are correct that the Commission has previously denied similar requests with regard to DIRECTV.<sup>33</sup> We agree with the Applicants that nothing in the record indicates that the proposed transaction would reduce New DIRECTV's incentives to carry local broadcast channels. The Affiliates Associations have not offered evidence or established a credible theory by which the competitive pressures DIRECTV faces to imitate or differentiate itself from other MVPDs in those markets would change as a result of this transaction. Accordingly, we decline to adopt the Affiliates Associations' proposed condition.

11. We reach a similar conclusion with respect to the condition sought by RMG. RMG, which owns independent programming networks targeted at rural viewers, argues that access to meaningful and relevant programming for rural viewers has decreased in recent years due to media consolidation.<sup>34</sup> RMG asks that, as a condition of any grant of the Application, the Commission prohibit New DIRECTV from removing rural content from its post-transaction programming lineup, and require New DIRECTV to use at least 1% of its channel lineup for programming focused on rural communities.<sup>35</sup>

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<sup>24</sup> TPG holds a less than 5% interest in Vice Media. Applicants Response at 4 & n.13.

<sup>25</sup> Application at 10.

<sup>26</sup> See *id.* at 7-8.

<sup>27</sup> Affiliates Associations Comments at 2.

<sup>28</sup> See *id.* at 4.

<sup>29</sup> See *id.* at 3-4; Affiliates Associations Reply at 2.

<sup>30</sup> See Applicants Response at 2.

<sup>31</sup> See *id.* at 2-3.

<sup>32</sup> See Affiliates Associations Reply at 5-9.

<sup>33</sup> See, e.g., *AT&T/DIRECTV Order*, 30 FCC Rcd at 9277, para. 248; *News Corporation and The DIRECTV Group, Inc., Transferors, and Liberty Media Corporation, Transferee, for Authority to Transfer Control*, Memorandum Opinion and Order, 23 FCC Rcd 3265, 3330, para. 137 (2008).

<sup>34</sup> See RMG Comments at 2-4.

<sup>35</sup> *Id.* at 1-2.

The Applicants respond that these issues, too, are unrelated to the proposed transaction and that the Commission has previously declined to impose program carriage conditions on DIRECTV.<sup>36</sup>

12. The Commission's program carriage rules prohibit an MVPD, like DIRECTV, from exerting its leverage as a distributor to require a financial interest in, or exclusive rights to, any program service as a condition for carriage.<sup>37</sup> The program carriage rules also proscribe an MVPD from engaging in conduct that unreasonably restrains the ability of unaffiliated video programming providers to compete by discriminating in the distribution of programming based on the programmer's affiliation or nonaffiliation with the MVPD.<sup>38</sup> TPG, however, does not hold programming interests<sup>39</sup> and AT&T's programming interests will not change. The present transaction therefore does not raise vertical integration concerns that the combined entity would discriminate against unaffiliated programmers. Moreover, there is no evidence that the transaction would change the incentives that drive program carriage decisions made by DIRECTV. For these reasons, we agree with the Applicants that RMG has not established that the proposed program carriage conditions are appropriate here and we decline to adopt them.

#### IV. CONCLUSION AND ORDERING CLAUSES

13. Upon review of the Application and the record, we find no evidence that the present transaction would result in any transaction-specific harm and conclude that grant of the Application serves the public interest, convenience, and necessity.

14. Accordingly, IT IS ORDERED, pursuant to Sections 4(i) and (j), 303(r), 309, and 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 303(r), 309, 310(d), and sections 0.261, 0.331, 1.948, and 25.119 of the Commission's rules, 47 CFR §§ 0.261, 0.331, 1.948, 25.119, that the Applications of AT&T Inc. and TPG Capital for Consent to Transfer Control of Licenses ARE GRANTED.

15. IT IS FURTHER ORDERED that the above grant shall include authority for DIRECTV Entertainment Holdings LLC to acquire control of: (a) any DIRECTV Enterprises, LLC licenses and authorizations that may have been inadvertently omitted from the Application; (b) any licenses and authorizations issued to DIRECTV Enterprises, LLC, or its subsidiaries during the Commission's consideration of the Application or during the period required for consummation of the transaction following approval; and (c) any applications that have been filed by DIRECTV Enterprises, LLC, or its subsidiaries and that are pending at the time of consummation.

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<sup>36</sup> See Applicants Response at 3-4; *AT&T/DIRECTV Order*, 30 FCC Rcd at 9223, para. 238.

<sup>37</sup> 47 CFR § 76.1301(a)-(b).

<sup>38</sup> 47 CFR § 76.1301(c).

<sup>39</sup> See Application at 10.

16. IT IS FURTHER ORDERED that this Memorandum Opinion and Order SHALL BE EFFECTIVE upon release, in accordance with section 1.103 of the Commission's rules, 47 CFR § 1.103.

FEDERAL COMMUNICATIONS COMMISSION

Thomas P. Sullivan  
Chief, International Bureau

Joel D. Taubenblatt  
Acting Chief, Wireless Telecommunications Bureau

**APPENDIX****Licenses to Be Transferred****Part 25 – Space Station Licenses**

| <b><u>File No.</u></b> | <b><u>Licensee</u></b>   | <b><u>Lead Call Sign</u></b> |
|------------------------|--------------------------|------------------------------|
| SAT-T/C-20210322-00037 | DIRECTV Enterprises, LLC | S2632                        |
| SAT-T/C-20210322-00038 | DIRECTV Enterprises, LLC | S2640                        |

**Part 25 – Earth Station Licenses**

| <b><u>File No.</u></b> | <b><u>Licensee</u></b>   | <b><u>Lead Call Sign</u></b> |
|------------------------|--------------------------|------------------------------|
| SES-T/C-20210322-00546 | DIRECTV Enterprises, LLC | E010129                      |
| SES-T/C-20210322-00547 | DIRECTV Enterprises, LLC | E050340                      |

**Part 90 – Private Land Mobile Radio Licenses**

| <b><u>File No.</u></b> | <b><u>Licensee</u></b>   | <b><u>Lead Call Sign</u></b> |
|------------------------|--------------------------|------------------------------|
| 0009450204             | DIRECTV Enterprises, LLC | WPTZ691                      |