Our initial offer price for 100% of Deustche Telekom’s stake in T-Mobile will be $33.10 per share, consisting of .11 numbers shares of Dish, and 24.83 dollars cash per share. Our walk away price for the deal will be $39.83, an offer made of 25% cash to T-Mobile, assuming a 27% industry-average premium on top of the stock’s current market value of $31.36, which most influenced our choice of walk-away price. On the bottom end of the range, we considered the fact that Deutsche Telekom, majority stakeholder in T-Mobile, would not be receptive to discussion without at least a modest premium, which we pegged at roughly 6%. From a negotiating standpoint, this price gets us to the negotiating table--but of course, is likely to be countered by a much more significant offer. When developing these price points, we considered the BATNAs for each company and the relative value of each option. Aside from a merger, Dish has the opportunity to begin leasing its spectrum to larger mobile carriers, or to hold the spectrum as its value appreciates over time and sell it to a mobile carrier at a later date. If the deal does not reach completion, T-Mobile has the alternative to continue its current operations, either by leasing spectrum from other firms or acquiring through government auctions.

Several key strategic considerations influenced the development of our price proposal. Dish has recently acquired a large amount of spectrum that will be a huge asset to T-Mobile. Dish does not currently use the spectrum, but a merger would allow T-Mobile to begin expanding their existing wireless network and increase the quality of their service, creating shared synergies for the firms. In addition, Dish would be able to stream video content to mobile devices, generating new revenue for the merged firm. Additional shared synergy will arise as Dish and T-Mobile begin bundling their mobile and satellite streaming services, giving each company access to new customers and more efficient distribution channels.

Although Dish will be acquiring primary ownership in T-Mobile, the telecommunications company will be able to maintain its strong brand presence in the U.S. and continue growing core operations, but costly SG&A operations will be consolidated. T-Mobile has strong brand recognition and reputation in the U.S., and the merger arrangements will allow the company to maintain its image and culture of innovation. In addition, following the merger, T-Mobile will maintain the majority of its sales and marketing force, while benefitting from consolidated back-house operations (such as HR, billing, suppliers, etc). Dish has earned steady revenue over the past several years, and additional income from Dish operations will give T-Mobile the ability to continue their costly but highly effective marketing strategies, which currently threaten to hurt the company's profitability in the near future. Finally, following the merger, T-Mobile will gain up to two board seats, giving it a substantial degree of influence over long term operations at the new company.

At Dish, our primary goal for this negotiation would be to develop a new company arrangement that allows us to begin utilizing our valuable spectrum. We hope to begin offering mobile video streaming services to our customers, and reach the wide market of mobile users that T-Mobile currently serves. We expect that T-Mobile hopes to receive a fair price and an appropriate degree of control in the new firm. Furthermore, we believe that T-Mobile will want to maintain its brand identity and continue to grow its customer base, a goal for which our spectrum capacity will be highly useful.

Both sides of this deal will win if the appropriate price can be reached, because both firms stand to benefit from the assets that the other provides. Our spectrum, revenues, and back-house operations will allow T-Mobile to continue growing their business, while its mobile platform will allow us to expand our current operations and create new revenue sources.