

EXHIBIT I

For Nextel, '94 Was Best of Times and Worst of Times

Shares Soared on Promise of Cellular Network, Then the Bubble Burst

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Morgan E. O'Brien sometimes indulges in an unlikely pastime, a plunge on a roller coaster. The recent fortunes of his company, Nextel Communications Inc., may have given him his most dizzying ride yet.

Tiny, brash Nextel rose to prominence in the past year by using an ever-soaring stock price to acquire legions of radio-dispatch licenses, tapping Wall Street's hunger for wireless plays by tirelessly promoting itself as a someday rival of cellular giants.

But Nextel shares have plunged about 70% from their 52-week high, wiping out \$2.5 billion in market value in the past nine months. The company has failed to find a backer since MCI Communications Corp. bailed out of a planned \$1.36 billion investment in August. Technical glitches continue to snarl its new phone service in California. Lacking cash, Nextel has also shelved plans to bid for federal licenses to provide new "personal communications services."

Company Lowers Sights

Now Nextel has all but abandoned ambitions to become a cellular titan any time soon. It will get back to basics, jazzing up the dispatch services, which will provide \$200 million in annual revenue when all of its transactions close. The company will also have a captive base of 750,000 old-line dispatch customers, including taxi drivers, contractors and plumbers.

Nextel must persuade customers who spend only about \$20 a month to spend as much as three times that sum to get a new array of fancier features, such as wireless messaging and cellular phone service. That would help Nextel close an \$800 million gap in funding a \$2.5 billion overhaul of its dispatch systems. The company, which has annual cash flow of \$29 million, is binding some 400 systems into a national wireless network, and in three years will face \$150 million in annual interest payments on \$1.7 billion in junk-bond debt.

Customers for Nextel's new offerings

may not be there. Most of its current customers "aren't interested in the bells and whistles," contends Robert Janssen, president of San Diego, Calif., dispatcher Cardiff Mobile Communications Inc. His clients lease only five to 10 radios and pay monthly fees of \$12 to \$14 a unit. "They are primarily price-motivated," he says. And many big corporations already run their own networks.

Nextel won't find the \$800 million it needs from the equity and debt markets. And its major patron Motorola Corp. may be running out of patience. Motorola, which intends to equip the network, has already offered \$685 million in vendor financing, after agreeing last summer to

tem is a replacement for the national telephone infrastructure." A late 1993 forecast by Merrill Lynch analyst Linda Runyon suggested that Nextel could sign up more than 400,000 new wireless customers in 1995 alone and possibly triple that in four years. Nextel today has 15,000 digital subscribers.

Such hype inflated Nextel's stock price even as the company floated millions of new shares to fund its buying binge, and led to the stock's crash when it became painfully clear that the cellular ambitions had been oversold. At the stock's 52-week high of \$46.75 in March, nine Wall Street analysts had healthy "buy" recommendations on Nextel; even by June, when the

giant pursuing "glove-compartment" consumers. Instead, it has always aimed its new cellular features at "the mobile work force" now using dispatch. As for the national digital network, hardly useful to a local plumber, Mr. O'Brien now says it would lure corporate accounts.

Those assertions stun some analysts. "Morgan O'Brien oversold Nextel, he drove way beyond his headlights," says Jan Klein of Dean Witter Reynolds Inc., who initiated coverage of Nextel on Dec. 22 with a "sell" rating. Another analyst privately asserts, "Nextel was never described as a big corporate-fleet kind of company. That's disingenuous."

If Nextel's cellular dreams are fading, what is its value as a pure dispatcher? Morgan Stanley's Ms. Comfort estimates \$6 to \$7 a share. With the stock in the \$14 range, investors seem to be placing a premium of more than \$7 a share on Nextel's cellular prospects. At Nextel's peak, the premium was almost \$40 a share.

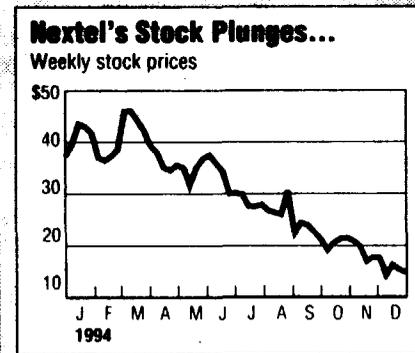
Beloved by Short Sellers

Even the smaller premium could be risky. In a Dec. 27 letter to investors, Nextel disclosed that its Motorola system is taking "much longer than expected." Nextel has the largest short position of all Nasdaq stocks, suggesting investor bearishness. By mid-December, investors had sold some 12 million Nextel shares short, up almost two million shares in a month.

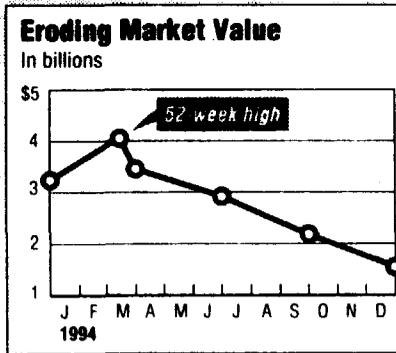
As a pure dispatch player, "there's no question Nextel would be the premier state-of-the-art company in the nation," says Frederick Moran of Salomon Brothers, a consistent bear on Nextel. Few observers, however, believe Mr. O'Brien will be content in the backwaters of the dispatch market. Nextel says it has just turned on its digital networks in Chicago and New York.

But Alan Shark, president of the American Mobile Telecommunications Association, a dispatch industry group that Nextel belongs to, says Nextel "would have been better off not shooting for the moon and comparing themselves with the cellular industry in the first place."

Fading Fortunes



Sources: Baseline, Company reports



sell all of its dispatch systems to Nextel for stock valued at \$1.7 billion. Since then the value of Motorola's Nextel stake has fallen by about \$800 million, and Motorola's pact with Nextel leaves it no escape clause.

Wall Street fell in love with Nextel as the little-known dispatch company gathered up hundreds of scratchy systems at cheap prices and tried to multiply their value by turning them into a new national phone system.

This compelling vision was largely propagated by Nextel and its underwriters at Merrill Lynch & Co. Nextel's Mr. O'Brien, fair-haired and silver-tongued, unabashedly proclaimed, "Our Nextel sys-

tem had fallen by more than one-third, eight analysts were still pushing a "buy."

"Every analyst was so positive on Nextel. They were dead wrong," says Scott Vergin, former fund manager of Lutheran Brotherhood Fund, which acquired 250,000 Nextel shares at \$40 a share and finally sold at about \$30, resulting in a loss of \$2.5 million. "It's been very humbling," says Stephanie Comfort, a Morgan Stanley & Co. analyst who has maintained a "buy" rating on Nextel from the moment it went public three years ago through the stock's rise and plunge.

Mr. O'Brien counters that Nextel had never portrayed itself as the next cellular