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Building The
Wireless Future™

April 6, 1995

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APR 6 1995

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

94-108

CTIA

Cellular
Telecommunications
Industry Association
1250 Connecticut
Avenue, N.W.
Suite 200
Washington, D.C. 20036
202-785-0081 Telephone
202-785-0721 Fax

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

RE: Ex Parte Contact - PR Docket No. 94-103
through PR Docket No. 94-110 -
Preemption of State Regulation of CMRS

Dear Mr. Caton:

On Thursday, April 6, 1995, Mr. Robert F. Roche, Director For Research, the Cellular Telecommunications Industry Association (CTIA), sent the accompanying letters and the referenced attachments to the following Commission personnel:

- | | |
|--------------------------------|------------------------------|
| Chairman Reed E. Hundt | Commissioner James H. Quello |
| Commissioner Andrew C. Barrett | Commissioner Susan Ness |
| Ms. Regina Keeney | Mr. Laurence Atlas |
| Mr. Rudy Baca | Mr. Donald Gips |
| Mr. Blair Levin | Mr. Michael Katz |
| Ms. Lisa Smith | Mr. William Kennard |
| Ms. Ruth Milkman | Dr. Robert Pepper |
| Mr. Michael Wack | Mr. David Siddall |
| Mr. John Cimko | Mr. Daniel Pythyon |
| Mr. Stanley Wiggins | Mr. Keith Townsend |
| Mr. Christopher Wright | |

Pursuant to Section 1.1206 of the Commission's Rules, an original and one copy of this letter and the attachments are being filed with your office.

If there are any questions in this regard, please contact the undersigned.

Sincerely,


Robert F. Roche

Attachments

No. of Copies rec'd 021
List A B C D E



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Chairman Reed E. Hundt
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RE: PR Docket Nos. 94-103 through 94-110
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Dear Mr. Chairman:

I am sure that, by now, you are aware of the fact that Mr. Craig McCaw has announced that he and his family will invest up to \$1.1 billion in Nextel Communications.

This announcement constitutes another vote of confidence in the vitality of the competitive wireless telecommunications marketplace. Indeed, it is a vote of confidence in wireless telecommunications in general, and should be kept in mind in your deliberations on all wireless telecommunications proceedings.

I attach copies of articles which cover and analyze the announcement. If you have any questions, please contact the undersigned.

Sincerely,

Robert F. Roche
Director for Research

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Commissioner James H. Quello
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

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April 6, 1995

Commissioner Susan Ness
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

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April 6, 1995

Commissioner Andrew C. Barrett
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RE: PR Docket Nos. 94-103 through 94-110
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April 6, 1995

Commissioner Rachelle B. Chong
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

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PR Docket Nos. 94-106 - 94-110
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April 6, 1995

Ms. Regina Keeney
Chief, Wireless Telecommunications Bureau
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RE: PR Docket Nos. 94-103 through 94-110
Preemption of State Regulation of CMRS

Dear Ms. Keeney:

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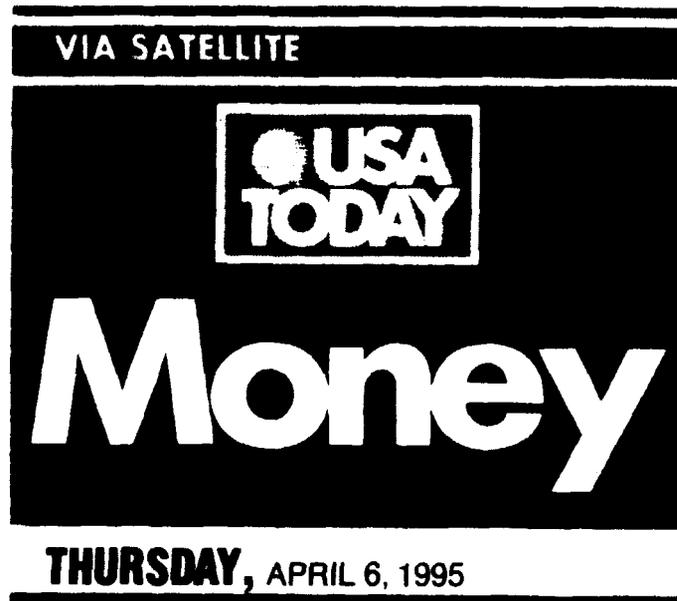
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Director for Research

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McCaw's investment gives Nextel a boost

By Kevin Maney
USA TODAY

Craig McCaw, the most successful entrepreneur in wireless communication, is back in the business.

McCaw announced Wednesday that he'll invest up to \$1.1 billion in Nextel Communications, a company building a closely watched nationwide wireless network out of a massive collection of old radio dispatch systems. McCaw will get a seat on Nextel's board and control a newly created "operations committee," which will

guide the company's strategy.

McCaw does not plan to use Nextel to create a new mass-market cellular phone company. "I've been there, done that," says McCaw, who built McCaw Cellular into the world's largest cellular company before selling it to AT&T last year for \$12 billion. McCaw left after the deal.

McCaw thinks Nextel can offer the next step in wireless communication. Its all-digital network will be able to offer paging, dispatch, text messaging, cellular phone calls and computer communications in

one package, using one device that looks like a cellular phone with a small screen.

Nextel, helped by McCaw, will pitch the service to businesses that have "mobile work groups." An example of such a group: a team of consultants installing computers for a company that has several locations in a city. The group could use the Nextel phones to talk one-on-one or as a group at any time, plus leave messages or make wireless phone calls.

"With all the competition coming in one part of the marketplace (cellular phones),

Nextel is wisely focusing on something others are not already doing," McCaw says.

McCaw's investment is a godsend to Nextel. The company has struggled since a deal for a \$1.3 billion investment from MCI fell apart last year. It has had trouble raising money to finish building its network in nearly every city. Its stock, \$41 a year ago, hit a 52-week low of \$9½ Feb. 9, making it hard for Nextel to use stock to buy other wireless companies and expand. Nextel seemed to have overreached.

McCaw's move changes that

perception. "When a visionary throws his weight behind you, it's a vote of confidence," says Charles DiSanza, analyst at Gerard Klauer Mattison. Nextel's stock rose 3¾ to close Wednesday at \$16½.

McCaw and his family are immediately buying \$315 million in Nextel stock. The McCaws will buy 4 million Nextel shares from major shareholder Motorola. They'll have options that could bring the investment to \$1.1 billion. McCaw could then own 20% of Nextel. Motorola's stock rose 1 to close at \$54¾.

Craig McCaw will invest up to \$1.1 billion in Nextel

By Nick Louth
REUTERS NEWS AGENCY

NEW YORK — Craig McCaw, the billionaire entrepreneur in wireless communications, will invest up to \$1.1 billion in Nextel Communications Inc. to help it build a vast mobile phone network, officials said yesterday.

Mr. McCaw and Motorola Inc., which owns 20 percent of Nextel but will be selling some of its stake, want to refocus the company on the 20 million Americans who work on the move and need to communicate with dozens of colleagues.

Nextel plans to end its flirtation with selling wireless communications to consumers — a move that led to failed talks with MCI Communications Corp. last year — and aim clearly at the business market.

"We will mine for gold in the new field of wireless communications for work groups," Mr. McCaw said in a statement announcing the deal.

Mr. McCaw sold his McCaw Cel-

lular Communications Corp., the nation's largest cellular telephone firm, to AT&T Corp. in September in a \$12.6 billion stock deal.

The investment in Nextel will provide the company with the cash to build its system and could lead to the McCaw family eventually gaining control, industry analysts said.

The stock the McCaws will receive, plus options if exercised, would give the family nearly a quarter of Rutherford, N.J.-based Nextel.

Investors welcomed the news, pushing Nextel stock up \$3.375 to close at \$16.625 on the Nasdaq. Motorola rose \$1 to \$54.325 on the New York Stock Exchange.

"It's a vote of confidence by one of the visionaries in the wireless industry," said Charles DiSanza at Gerard Klauer Mattison.

For Mr. McCaw, the deal furthers his efforts to exploit the potential of wireless communications even beyond what he has done with cellular telephones and pagers.

The deal also allows Motorola to

lower its stake gracefully in Nextel while continuing to supply it with equipment, analysts said.

Nextel will now try build a network and market its radios to the 20 million Americans on the move who need to talk to radio-carrying colleagues at once. A flip of a switch would also allow a connection to an ordinary phone system.

These workers — at hotels, airports, factories and elsewhere, as well as executives on the road — now use old two-way radios that can contact only a few colleagues at the push of a button and cannot connect to regular phones.

Under the agreement, Mr. McCaw and his family will invest an initial \$315 million in Nextel — buying \$14.9 million worth of stock at \$12.25 a share and 8.2 million units convertible into three Nextel common shares apiece for \$300 million.

Craig McCaw will become a member of the Nextel board and control a new operations committee that would formulate and propose corporate strategy.

Mr. McCaw and Nextel officials

said at a news conference that the billionaire would provide advice, not give orders.

"It is most definitely not a takeover, it is the culmination of a partnership we first started talking about a couple of months ago," said Nextel Chairman Morgan O'Brien.

Nextel's mobile radio network is expected to cost \$2.5 billion over the next two to three years. But company filings show Nextel was more than \$300 million short, analysts said.

Nextel's original plan to sell its wireless systems to consumers involved MCI. But negotiations over MCI buying a stake in Nextel broke off in September when the long-distance carrier decided to abandon the \$1.3 billion investment.

Nextel, whose stock traded at \$55 in August, hit \$10 in January, and some investors began to doubt it could get all the cash needed.

"It does a great deal to reassure investors of Nextel's place in the wireless world," Michael Elling at Prudential Research said of the

deal with Mr. McCaw.

So why is Mr. McCaw keen on Nextel when MCI was not?

"I'm looking at the opportunity as an investor," Mr. McCaw said. "MCI needed a consumer connection and had a different agenda."

The McCaw family could end up effectively controlling the company, analysts said. The deal includes options to buy as much as 30 million Nextel shares at prices up to \$18.50 a share and an additional 5 million shares at \$21.50 a share.

In addition, Mr. McCaw will buy 4 million Nextel common shares from Motorola for \$49 million and has been granted options on another 9 million shares held by Schaumburg, Ill.-based Motorola.

The McCaw family, since selling its wireless group, is the largest single shareholder in AT&T, with 3 percent, an investment worth about \$2.5 billion.

"The beauty of this investment is that it is not in any way negative to AT&T," Mr. McCaw told reporters.

McCaw to Buy Nextel Stake Of Up to 23.5%

By JOHN J. KELLER

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK — Wireless pioneer Craig O. McCaw and his family agreed to buy a stake of up to 23.5% in struggling wireless upstart Nextel Communications Inc., paying up to \$1.1 billion in stages over the next six years.

Nextel has agreed to grant Mr. McCaw surprisingly broad control over its operations

and future direction. While he won't take an executive post at the company, he will name and head an "operations committee" to which Nextel's recently hired chief executive officer, Wayland Hicks, will report.



Craig O. McCaw

Mr. McCaw sees the Nextel investment as a way of remaining a player in wireless. It is an unlikely alliance between a provider of scratchy radio dispatch services and a superstar who built a national cellular giant.

The two may need each other. Mr. McCaw, the 45-year-old industry visionary who sold the nation's No. 1 cellular company to AT&T Corp. for \$11.5 billion, becoming AT&T's largest individual holder, was outgunned recently in the rich bidding frenzy for licenses to offer new "personal communications services." Nextel sought to build on its fleet-dispatch

business two years ago, buying and linking dozens of local systems into a network for challenging cellular goliaths — including Mr. McCaw's former cellular company. MCI Communications Corp. later backed out of an agreement to invest \$1.36 billion, sending Nextel on a search for a new strategic partner with deep pockets.

News that Mr. Wireless was betting his hard-won cellular dollars on the troubled Rutherford, N.J., company buoyed investors, who sent Nextel shares up by \$3.375,

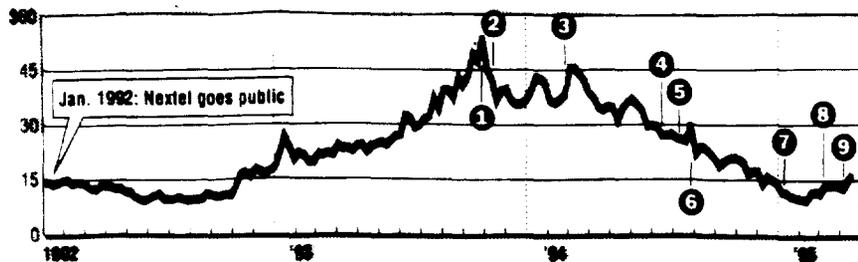
or 26%, to \$16.625 in Nasdaq Stock Market trading. Nextel's bonds took a similar bounce, rising by eight points to 50. Nextel stock had traded as high as \$41.75 a year ago, but then fell into the low teens.

The McCaw investment will start small — the team has paid \$14.9 million for about 1.2 million common shares. That will be followed by a \$300 million chunk for preferred units after the entire deal closes, now scheduled for mid-June. But it will go

Please Turn to Page A4, Column 3

Nextel's Roller-Coaster Ride

Weekly closing stock prices



- ① Oct. 26, 1993: Acquires rival Powerline
- ② Nov. 16, 1993: Sets deal to acquire some Motorola systems
- ③ Feb. 26, 1994: MCI Communications agrees to acquire 17% stake for \$1.36 billion
- ④ July 15, 1994: Agrees to acquire OneComm Corp. for \$650 million
- ⑤ Aug. 8, 1994: Agrees to \$2.4 billion acquisition of all Motorola systems and last major rival, Dial Page
- ⑥ Aug. 29, 1994: MCI scuttles pact to invest in Nextel
- ⑦ Jan. 11, 1995: Nextel stock slides 17% on company's new snags in trying to acquire OneComm and Dial Page
- ⑧ March 7, 1995: Stock rises on FCC ruling that Baby Bells can buy dispatchers such as Nextel
- ⑨ April 5, 1995: Shares surge on Craig McCaw's investment plans

Wireless Pioneer Craig McCaw To Acquire up to 23.5% of Nextel

Continued From Page A3

a significant way toward closing an \$800 million shortfall that Nextel faces in its much-vaunted plans to build a nationwide, digital, wireless network.

The new deal also could help Nextel close a few pending major acquisitions that are crucial to its strategy. The initial infusion by the McCaws of \$300 million should greatly expand Nextel's capital base, allowing it to finalize deals to buy the dispatch properties owned by Motorola and OneComm Corp. by the middle of June, said Nextel Chairman Morgan E. O'Brien. Another transaction, with Dial Page Inc. is still awaiting a green light from the Federal Communications Commission. The acquisitions had been snagged by bondholder terms that the company was seeking to revise.

However, Nextel will see a reduction in the role played by its major benefactor until now — Motorola Inc. Motorola had extended hundreds of millions of dollars in vendor financing to Nextel and was set to become its biggest shareholder, in exchange for selling all of Motorola's dispatch systems to the company. Motorola had steadfastly expressed its support of Nextel as the company's fortunes soured.

But yesterday Motorola said it has agreed to sell four million Nextel shares to Mr. McCaw for \$49 million, which it called "the first step" in a plan to reduce its ownership in the wireless firm. Its planned Nextel stake of 26% will be reduced to 19% if Mr. McCaw exercises all of his purchase options. "It has never been the long-term strategy of Motorola to be in the services business," said Christopher B. Galvin, Motorola's president.

In addition, Motorola will no longer be the exclusive equipment supplier to Nextel.

Scale Back Objectives

In tapping Mr. McCaw's considerable wealth and expertise, Nextel has tacitly acknowledged that it may have been aiming too high in its original strategic plan. Now, instead of turning its patchwork quilt of crackly dispatch-radio systems into a national cellular-phone and data network serving businesses and consumers, Nextel will try to fill a niche, selling enhanced dispatch and data-messaging services to what it terms "mobile work-groups." Phone calling will be available to some users as an option.

At a hastily arranged news conference at New York's Waldorf Astoria, Morgan E. O'Brien, Nextel's chairman, gazed almost reverently at Mr. McCaw, calling his bet "the most significant endorsement attainable in the wireless industry."

Mr. McCaw, affecting an "aw-shucks" delivery, described himself as "really just a simple-minded guy who likes to focus on one or two things at a time." He vowed to "help focus the company."

Options to Buy More Shares

Under the agreement, which must be approved by Nextel shareholders, the McCaw family will buy 8.16 million Nextel preferred units, each convertible into three common shares, for \$300 million. In addition, Motorola granted the McCaws options to acquire nine million shares it will hold over the next six years at exercise prices and dates identical to those Mr. McCaw received from Nextel, as well as a right of first refusal on its existing stock position in Nextel.

Mr. McCaw also will receive options to buy up to 15 million common shares within two years of closing at \$15.50 a share; up to 15 million more shares within four years of closing at \$18.50 a share; and up to five

million additional shares within six years at \$21.50 a share.

If the McCaws exercise their options and Nextel can close its other planned acquisitions, the McCaws will hold 12% of Nextel's stock by mid-summer and about 74 million shares, or about 23.5%, of Nextel within six years. Motorola's stake, now at 2% and slated to rise to 26%, would eventually drop to 19%.

Nextel faces sizable competitive hurdles, even with the guiding hand of a cellular visionary. AT&T, the Baby Bells and a coalition formed by Sprint Corp. and three big cable partners are pursuing wireless services aggressively.

Nonetheless, Mr. McCaw's endorsement helped ignite Nextel bonds and related securities. One Nextel 9% note, maturing in 2004, rose by eight points, or \$80 for a bond with a \$1,000 face value, to 50. "To have someone of Craig McCaw's stature bless this technology is a fantastic endorsement," said Rosemary Thomsen, senior portfolio manager at Putnam Investments, Boston, which holds \$300 million in Nextel bonds.

Craig McCaw's Daring High-Wireless Act

Investing in Nextel, Cellular Guru Bets On New Technology

By Mike Mills
Washington Post Staff Writer

He's often been compared to other youthful techno-pioneers such as Microsoft Corp. Chairman Bill Gates and Apple Computer Inc. founder Steven Jobs.

But yesterday Craig McCaw became the Michael Jordan of the communications industry.

He largely retreated from public view last year after AT&T bought the cellular telephone empire he founded, a deal that netted more than \$2 billion for him and family members. Now McCaw is back in the game. He announced yesterday that he and his family would invest \$1.1 billion in Nextel Communications Corp.

By buying into Nextel, McCaw is hoping to transform the sleepy market for two-way radio dispatch services in much the same way that he pioneered the growth of today's cellular telephone industry.

"I'm an idea guy," McCaw said in an interview yesterday. "I'm the master of the obvious. So whenever I have an idea that I think is the obvious, I pursue it."

McCaw said he wants to bring dispatch communications beyond "plumbers and contractors." He envisions a world of telecommuting workers keeping in touch over private digital two-way radio networks, which will offer not only walkie-talkie-type communications but also wireless telephone service, advanced paging and data transfers.

"If cellular is Chevrolets and Hondas, this is a Jeep. It's a more flexible product," McCaw said. "You can have, for instance, five or six people working in stream-of-consciousness mode. . . . They would pick up the receiver and reach the whole group or just one person. They could never accomplish that with a switch-based telephone."

McCaw's announcement immediately revived Nextel's flagging stock and bonds, and the Rutherford, N.J.-based company's future. The communications industry and Wall Street had been awash with doubts about Nextel's prospects.



By buying into Nextel, Craig McCaw is hoping to transform the market for two-way radio dispatch services

BY RAY LUSTIG—THE WASHINGTON POST

Nextel began its push toward a nationwide network of dispatch licenses in the late 1980s, when company founders traveled the country buying local two-way radio companies. It was a strategy they modeled largely after one pursued by McCaw, who snapped up undervalued cellular licenses in the 1980s to create McCaw Cellular Communications Corp., the country's largest cellular company.

Nextel's ambitions were blunted when MCI Communications Corp. last year backed out of its plans to buy 17 percent of the company.

With yesterday's announcement by McCaw, analysts widely agreed, Nextel has received a kind of vindication from the industry's founding father.

"You've got one of the true visionaries of the wireless communications industry putting his stamp of approval on Nextel's technology and management," said Mark R. Warner, a Nextel founder who cur-

See McCaw, C16, Col. 4

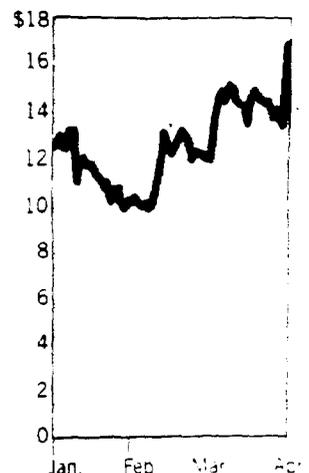
MEET CRAIG McCAW

- **Age:** 45.
- **Education:** Graduate of Stanford University.
- **Career highlights:** At 16, he and his three brothers bought a tiny cable system in Centralia, Wash., from their father. Developed the nation's largest cellular system as the chairman of McCaw Cellular Communications, which AT&T bought in 1994 for \$11.5 billion, just over \$2 billion of which went to McCaw and his brothers. Yesterday, announced a \$1.1 billion investment in Nextel Communications.
- **Hobbies:** Camping, flying his Falcon jet, sailing his two yachts.
- **Favorite movie:** "Patton"
- **Family:** Wife, Wendy; no children

► NEXTEL STOCK

The company's stock was up \$3.37 1/2 yesterday on news of McCaw's investment.

CLOSING STOCK PRICE



SOURCES: News reports, Bloomberg Business News

McCaw to Invest \$1.1 Billion In Nextel Communications

McCaw, From C13

rently is managing director of Alexandria-based Columbia Capital Corp., a venture capital firm.

McCaw's investment does not ensure Nextel's success, however. "He does not bring the marketing muscle that an MCI would have brought," said Michael J. Balhoff of the Baltimore-based telecommunications investment firm Legg Mason Wood Walker Inc.

Over the past year, the self-effacing McCaw has dabbled in various communications investments and taken lessons to earn federal certification to fly a more powerful class of jets.

He and Microsoft's Gates last March became the principal owners of Teledesic Corp., which plans to launch 840 low-earth-orbiting satellites that will provide wireless communications services worldwide.

McCaw also surprised observers by

bidding heavily in January and February, then backing out from the Federal Communications Commission's auctions for wireless telephone licenses in 51 markets nationwide.

McCaw said he was considering investing in Nextel at the time he was bidding. His bids were motivated in part, he said, by a desire to make sure that future competitors paid high prices in markets such as New York and Los Angeles.

"I wanted to continue to bid it up until at least a fair value was achieved," he said. "It's a wonderful thing that I could help the government make more money."

McCaw modestly debunks his mythic status as a shrewd dealmaker who stays a beat in front of the industry pack. "I'm not even sure what I've done," he said of his Nextel buy. "Is it the right move?"

NY TIMES, APRIL 10, 1995

Rich From AT&T Sale, McCaw May Put \$1.1 Billion Into Nextel

By EDMUND L. ANDREWS

Craig O. McCaw, the billionaire who has been looking for a new project ever since he sold his company to AT&T, has finally found one: **Nextel Communications**, a one-time high flier in wireless communications that has been flirting with death in recent months.

Mr. McCaw announced yesterday that he and his family would invest \$300 million immediately and as much as \$1.1 billion in Nextel over the next six years. If he exercises all his options under his agreement with Nextel, he would own about 23 percent of the company and become its largest shareholder.

Will this struggling wireless company be saved at the brink?

Nextel, for its part, said yesterday that it would drastically scale back its goal of building the equivalent of a nationwide cellular-telephone network. Instead, it will focus much more narrowly on building private dispatch networks for business customers who want to link mobile workers.

Investors were delight by Mr. McCaw's

move and sent Nextel's shares soaring more than 25 percent.

Saying he had "been there and done that," Mr. McCaw made it clear yesterday that he had no interest in re-entering the cellular-phone business in which he made his fortune. Rather, he said, he wanted to offer a new range of specialized voice and data services that could link construction crews, airline mechanics or truck fleets.

Mr. McCaw's forthcoming investment in Nextel caught most people in the industry by surprise, though it was hardly the first time he has done so. Armed with more than \$1 billion in AT&T stock, he emerged as a big bidder in the Federal Government's auction of radio licenses for personal communication services, bewildering

his rivals about his goals. Then, just as abruptly, he pulled out of the auction without a hint of explanation.

Still, yesterday's news was the best in months for Nextel, which has been struggling ever since **MCI Communications** called off plans last year to invest \$1.3 billion in it and form a nationwide wireless venture under the MCI brand name.

Nextel lost \$150 million in 1994 on \$84 million in revenue, virtually all of which came from old-fashioned fleet dispatch services that are now being altered with digital technology. Nextel's stock, which reached a peak of \$54.25 last fall, collapsed after the MCI deal was abandoned and

Continue on Page D6



Associated Press

Craig O. McCaw and his family plan to invest up to \$1.1 billion in Nextel Communications, a struggling wireless company. Mr. McCaw was flanked by

Morgan O'Brien, right, chairman of Nextel, and Christopher Galvin, chief executive of Motorola, at yesterday's announcement in New York.

McCaw May Put Up to \$1.1 Billion in Nextel

Continued From First Business Page

was trading at \$13.25 Tuesday.

Yesterday, Nextel's shares jumped \$3.375 to \$16.625 and was the most active Nasdaq stock. Investors were encouraged both by the expectation of new capital and the prospect of association with Mr. McCaw, who defied conventional wisdom in the 80's by borrowing billions to construct what became the nation's biggest cellular-phone company.

Mr. McCaw made it clear that he had no intention of rebuilding McCaw Cellular Communications, which was sold to AT&T last year for \$11.5 billion. "My excitement is not to go do what I did before, but to go and find something that makes a new contribution in the communications marketplace," he said.

His announcement yesterday left little doubt that Mr. McCaw would be calling the shots at Nextel, dangling his money as a carrot to get what he wants. Under an agreement that has already been endorsed by Nextel's board, Mr. McCaw would immediately invest \$300 million to buy 15 million shares at \$12.25 each. He would also receive options to buy 35 million more shares over the next six years at prices ranging from \$15.50 to \$21.50.

In addition, the Motorola Corporation would give Mr. McCaw options to buy as many as five million shares

of Nextel stock that it will soon acquire when it hands over a raft of radio licenses to Nextel for stock.

If Mr. McCaw exercises all his options, he would own about 23 percent of Nextel, becoming its biggest shareholder. Motorola would own about 19 percent, Nextel executives said yesterday.

The cerebral and soft-spoken Mr. McCaw appeared confident he had more than enough leverage to protect his investment. "My job," he said yesterday, "is to do as little as possible."

Nextel, based in Rutherford, N.J., has amassed radio licenses around the country that have been traditionally used to link truck and taxi fleets. Using digital technology developed by Motorola, Nextel has been trying to build a nationwide wireless network that would offer a range of mobile telephone, data and paging services.

But the decline in Nextel's stock price threatened to jeopardize its ability to complete several acquisitions that would have given it enough licenses to cover the entire country.

The biggest setback came when MCI, the nation's second-largest long distance carrier, announced it would abandon its plan to invest in Nextel. Much of MCI's reluctance, industry experts say, stemmed from a conviction that the Motorola technology did not provide adequate voice quality or reliability to com-

pete with cellular telephones, and that concern has clouded Nextel ever since the collapse of the deal.

But industry experts say the new strategy — to focus on a narrower market with few participants and different needs — may fit the technology quite well. And Motorola executives made clear yesterday that they were determined to fine-tune their technology. Motorola also said it would try to make its system "open," meaning that other equipment manufacturers would be welcome to license the technology and build their own systems.

As envisioned, Nextel would use Motorola's digital technology to modernize the kind of push-button-microphone radios used in dispatch. The new service would let people use their radios like telephones for private person-to-person conversations, as well as for communications of the sort where a construction boss wants to reach every worker on a site. The new system would also deliver short messages, paging and longer data communications.

Before that happens, however, Nextel will have to make good on its business plan, and Motorola will have to get the bugs out of its technology. People who have analyzed the current system say it offers poor voice quality and is particularly unreliable when a person is making a call that must pass through the conventional telephone network.

Wireless-Gear Deals With BellSouth

By Bloomberg Business News

TORONTO, April 5 — Northern Telecom Ltd. and **LM Ericsson** have won contracts worth more than \$170 million to supply equipment for new wireless-phone systems.

Northern Telecom, part of **BCE Inc.** of Montreal, received a \$100 million, three-year order, announced today, from a unit of the **BellSouth Corporation** for equipment to set up networks in the Carolinas and eastern Tennessee.

Ericsson's Canadian unit will supply more than \$70 million worth of equipment to **Microcell 1-2-1 Inc.** for a field trial across Canada. Microcell is a joint venture of communications companies including **Sprint Canada**, a unit of the **Sprint Corporation** in Westwood, Kan.

The BellSouth order is one of many that Northern Telecom, the Toronto-based telecommunications equipment maker, is expected to win as a result of a recent auction of wireless licenses in the United States. The Federal Communications Commission sold licenses last month to 21 communications groups to offer new wireless products known as personal communications services.

Wireless now represents about 10 percent of the annual revenue of Northern Telecom, which reached \$8.87 billion in 1994. The company officially opened a new wireless manufacturing operation today in Raleigh, N.C.

The orders for Northern Telecom and Ericsson are a sign that the technology known as **Global System for Mobile Communications**, known as **GSM**, may be taking a lead in North America among cellular providers.

GSM is based on time-division multiple-access technology, which has less calling capacity than the competing technology, called code-division multiple access. Code-division technology, however, is not yet commercially available, while time-division technology has been around for two years.

Eric Ensor, president of **BellSouth Personal Communications**, said GSM had been chosen in part because it was a proved technology and would allow BellSouth to offer subscribers more features sooner.

Some features the technology will support include sending data and short messaging, Mr. Ensor said.

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HEADLINE: Craig McCaw, Motorola and Nextel Will Cooperate To Create Wireless Services For Work Groups

DATELINE: RUTHERFORD, N.J.

BODY:

April 5, 1995--Craig McCaw, a pioneer in wireless communications, and other McCaw family members have agreed to invest up to \$ 1.1 billion in stock of Nextel Communications, Inc. and will provide strategic direction of the company to focus on enhanced two-way radio dispatch services for business users who need integrated wireless communications.

McCaw said he is not interested in attempting to copy cellular, PCS or paging. "I have been there, done that and it is not my intent to do what I've already done," McCaw said. "We will mine for gold in the new field of wireless communications for work groups," he continued, "and by emphasizing dispatch, messaging, and data in combination with telephone interconnect, Nextel can enhance the quality of life for mobile work teams, an important and growing sector of the U.S. workforce. By effectively using Motorola's technology for fleets and crews of mobile workers, I believe that Nextel has the potential to be a unique and important contributor to the wireless industry."

In citing his continuing belief in the development of multiple wireless services packaged in one device, McCaw said, "We know there is a strong base of potential customers for integrated business communications services in the nearly 20 million current two-way radio users in the U.S. alone."

While current Nextel shareholders must approve the transaction, Nextel's Board of Directors already has unanimously approved the agreement.

Completion of the agreement also is subject to various regulatory and third-party approvals.

Under terms of the agreement, McCaw and other members of his family may invest up to \$ 1.1 billion in Nextel stock over the next six years through share purchases from both Nextel and Motorola. McCaw will become a member of the Nextel Board of Directors with control over a newly created operations committee.

Nextel is a provider of integrated wireless business communications services, including enhanced dispatch, alphanumeric short message paging, mobile telephone and data services throughout much of the U.S. Motorola serves as Nextel's technology provider and supplier of infrastructure and subscriber equipment.

Morgan O'Brien, chairman of Nextel Communications, Inc., said, "What we are learning is that as we move to new ways of working as groups we need to find new tools to allow them to communicate. Mixing one part Craig McCaw vision with one part Motorola technology gives us at Nextel a recipe for even more potent integrated wireless business solutions."

Christopher Galvin, president and chief operating officer of Motorola, indicated that Motorola looks forward to its role as the technology provider and equipment manufacturer. "We invented the dispatch business and now we're reinventing it. This transaction also is the first step in reducing our ownership in Nextel," Galvin said.

In a separate announcement, Motorola outlined several steps it is taking to drive the success of this new integrated wireless business communications industry. The company said it would rename its MIRS technology iDEN, or Integrated Dispatch Enhanced Network, and license essential intellectual property rights to qualified manufacturers. In addition, Motorola has committed to make several technology improvements that will enhance reliability and audio quality under terms of a revised supply agreement. Motorola feels these steps will enhance the global opportunities for this exciting technology.

The agreement with the McCaw family includes the immediate purchase of \$ 14.9 million of Nextel stock at a per share price of \$ 12.25. In addition, upon closing, McCaw will purchase for \$ 300 million, 8.16 million preferred units of Nextel shares, each convertible into three common shares. McCaw also will be granted options to purchase: up to 15 million common shares within two years of the closing at an exercise price of \$ 15.50 per share, up to 15 million common shares within four years of the closing at \$ 18.50 per share, and up to 5 million common shares within six years of the closing at \$ 21.50 per share. The second and third options will be exercisable only to the extent that the first and second options, respectively, are exercised.

McCaw also will purchase 4 million Nextel common shares from Motorola for \$ 49 million. Motorola has granted McCaw options on 9 million shares over the next six years at exercise prices and dates identical to the Nextel options, as well as a right of first refusal on its existing stock position in Nextel.

Under the agreement, a newly formed operations committee will be responsible for formulating and proposing key tenets of Nextel's corporate strategy. McCaw is entitled to appoint a majority of the operations committee's members and a total of three board members for so long as he continues to meet certain ownership thresholds and makes certain additional investments in the company.

Nextel reported in a recent 10-K filing that it expected to seek additional financing over the next several years. The investment by McCaw, as well as the potential option exercises, are expected to reduce significantly the amount of money to be raised.

CONTACT: Nextel

Paul Blalock, 201/531-5200
Susan Suss, 212/878-4638
or
Motorola

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George Grimsrud, 708/576-2346
Anna-Lise Farmer, 708/538-3113
or
McCaw Family
Roger Nyhus, 206/915-3878 or 206/720-1739

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