Evidence of the Licensees *"value"* bidding strategy is the fact that the Duluth, Minnesota and St. Joseph, Missouri C block licenses were acquired at an average net price of $11.45 per pop compared to the average net price for the entire C block of $39.88 and the net $30 to $65 range that emerged for the top 100 markets. While the Licensees' net bid prices were substantially higher than envisioned prior to the auction and for a different class of market, the Licensees nonetheless felt that its net bid price, being at the lower end of the C block auction range, would still allow it to obtain financing from the U.S. capital markets. This access to Wall Street was a crucial premise to the Licensees' business plan. Despite the significant equity contributions that were envisioned from the Licensees' investors, significant capital in the form of both debt and equity would have to be obtained in order to build out the PCS systems and absorb the extensive operating losses that were projected for the first few years of operation.

The Licensees were familiar with the status of the financial markets relative to PCS in 1995, and had a reasonable understanding of their future ability to access these markets to raise the balance of capital requirements after the auction. However, what was not anticipated was the inability of the Licensees to tap into the capital markets for the balance of their financial requirements after the auction with a revised Business Plan, despite their license debt being at the lower end of the auction range. The Licensees believe that the excessive bidding from the handful of larger entities and their related inability to also raise capital, combined with multiple defaults on license debt has resulted in a formidable cloud over the entire group of C block licensees which also extends to the F block licensees. Another factor contributing to the uneasiness of the capital markets with regard to the PCS industry is the Commission's apparent lack of concern for value paid for the spectrum. The Commission rushed to auction additional spectrum almost immediately following the C block auction, thereby creating a greater supply than demand. This, in turn, had a devaluing affect on the PCS spectrum due to additional competition for future products and services that PCS licensees felt would be exclusive to their bandwidth.

The inability of C block licensees to raise the additional capital that they so desperately need to remain viable entities is well known and the subject of many published articles in the national press as well as wireless industry publications. This situation has resulted in the capital markets assigning an even greater risk factor than that which was previously perceived for pioneering development stage companies such as ours in the wireless industry. Concrete evidence of this is the extremely lower net winning bids in the D, E and F block auction which averaged $3.75, $3.67 and $2.54 per pop respectively. In that auction, Small Business F block bidders were very much aware of the inability of C block licensees to procure financing and as a result bid accordingly. Clearly, bidders in the D, E and F block auction assigned a significantly higher discount rate to the underlying cash flow projections which supported their target spectrum acquisition prices. The higher discount rates were appropriate as a result of the future financing risk associated with the potential development of their systems and the rising glut of spectrum.

We respectively submit that the Commission should view spectrum as real estate. In the real estate industry, the present value of a property is almost exclusively determined from the recent selling prices of market comparables. The Licensees contend that the net present value of the C block license debt for the purpose of prepaying such debt may be found by simply utilizing the D and E block cash purchase prices for the respective markets as described more fully in our proposal. Licensees also respectively suggest that the cash flow requirements for the F block debt be discounted at a rate of

between 15% to 20% to determine the net present value for the purpose of prepaying such debt as more fully described in our proposal.

CONCLUSION

In conclusion, the Licensees urge the Commission to develop special debt restructuring relief for those C and F block licensees which have less than $40 million in annual gross revenue. Such entities, for the most part, attempted to stay within their means during the respective auctions. These entities believed that the federal government desired the creativity and well managed operations that such entrepreneurs would bring to make wireless service more affordable to the American public. Unfortunately many of these entrepreneurial entities will fail if they are relegated to utilizing junk bonds and venture capital financing, with the associated extremely high cost of capital, for the balance of their capital requirements. We respectively contend that entities such as ours have been harmed by the auction process and will have almost no alternatives other than the use of high yield junk bonds or venture capital for the balance of our capital requirements. This is due to the inherent high degree of business failure risk perceived by the investment community as a result of a small business having to compete against the deep pocketed players in the industry such as AT&T Wireless, SprintCom and the Regional Bell Operating Companies.

On a procedural matter, the Licensees respectively submit that ***all*** C and F block licensees which submitted timely payments prior to the suspension of the installment payments be offered credit for the time value of their payments as a means to compensate such licensees for the cost of the government retaining their money during the period of payment suspension. We suggest that a 7% interest rate be utilized by the Commission for such purpose.

The Commission's favorable reaction to the Licensees' petitions is necessary in order for small development stage enterprises such as ours to realize the dream of owning and operating a successful wireless telecommunications concern.

Respectfully submitted,

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Duluth PCS, Inc.
St. Joseph PCS, Inc.
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EXHIBIT A
EXAMPLE C BLOCK DEBT RESTRUCTURE/PREPAYMENT PROPOSAL FOR SECONDARY AND TERTIARY MARKETS

Example Market: Duluth, Minnesota

C Block Net Winning Bid		4,032,751
D Block Winning Bid	271,000	
E Block Winning Bid	565,001	
Total of D & E Block Winning Bids	836,001	
Average of D & E Block Winning Bids (Total of Block D & E Winning Bids Divided By 2)	418,001	
Multiplier	2.25	
Revaluation of C Block Debt (Average of D & E Block Winning Bids Times the Multiplier)	940,501	
Less:		
Principal Payments to Date	403,275	
Interest Payments to Date	136,603	
Restructured Debt Balance	400,624	

NOTE: For top 100 markets in terms of population size, the calculation is the same as above except for the use of a multiplier of 3.

EXHIBIT B
EXAMPLE F BLOCK DEBT RESTRUCTURE/PREPAYMENT PROPOSAL

Licensee with annual revenues of not more than $40 million dollars.
Parkersburg, West Virginia is used in this example.

Net Winning Bid	$76,509
Down Payment	$15,302
Balance Due	$61,207

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Cumulative Totals
Principal Payments	$15,302	$0	$5,966	$6,383	$6,830	$7,308	$7,820	$8,367	$8,953	$9,579	$76,509
Interest Payments (7%)	$4,284	$4,284	$4,284	$3,867	$3,420	$2,942	$2,430	$1,883	$1,297	$671	$29,363
Total	$19,586	$4,284	$10,250	$10,250	$10,250	$10,250	$10,250	$10,250	$10,250	$10,250	$105,872

Discounted Debt Payment Stream and Calculation of Restructured Debt Balance:

Discount Rate	15%	20%
Present Value of Payment Stream	$55,051	$46,611
Less: Principal Payments Paid to Date	$15,302	$15,302
Less: Interest Payments Paid to Date	$0	$0
Restructured Debt Balance	$39,749	$31,309