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August 11, 1997

EX PARTE ORIGINAL

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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

Re: General Wireless, Inc.  
Docket No. ET 97-82  
Notice of Ex Parte Presentations

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Dear Mr. Caton:

Pursuant to Section 1.1206(a)(2) of the Commission's rules, General Wireless, Inc. ("GWI") hereby submits this Notice of Ex Parte Presentations.

On August 8, 1997, representatives of GWI met with the Commission representatives referenced below to discuss further options for C block PCS debt restructuring in the above-referenced proceeding. GWI presented the enclosed submission (Exhibit A) and discussed its amnesty proposal in a re-auction scenario, which includes the following elements: (1) cash upfront; (2) a "store credit" equal to 100% of non-refundable down payments; and (3) a cash penalty based on Pops won in a re-auction and deferred for five years with no interest.

GWI was represented by Roger Linquist, its CEO, Dennis Spickler, its CFO, and the undersigned. The Commission was represented at three separate meetings by the following: (1) Jon Garcia of the Office of Plans and Policy (the undersigned was not present at this meeting); (2) Commissioner James Quello and Rudolfo Baca from the Office of Commissioner Quello; and (3) Suzanne Toller and Tom Zagorsky from the Office of Commissioner Rachelle Chong.

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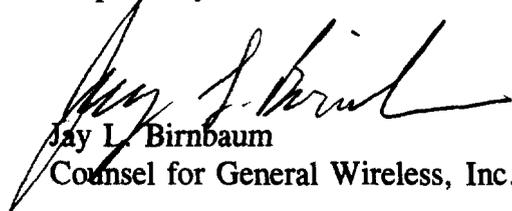
Mr. William F. Caton  
August 11, 1997  
Page 2

The undersigned also had a separate telephone conversation on August 8, 1997 with Sande Taxali of the Wireless Telecommunications Bureau and David Siddall of the Office of Commissioner Ness about the enclosed submissions (Exhibits B and C, respectively) and provided each with a copy thereof.

GWl also submitted a letter to Commissioner Susan Ness dated August 6, 1997 from Arthur C. Patterson of Accel Partners, an investor and a member of the Board of Directors of GWl. The letter is enclosed herein at Exhibit D.

Copies of this Notice of Ex Parte Presentations have been provided to the above-referenced Commission representatives, as required by Section 1.1206(b)(2) of the Commission's rules. An original and one copy has been submitted to the Secretary's office.

Respectfully submitted,

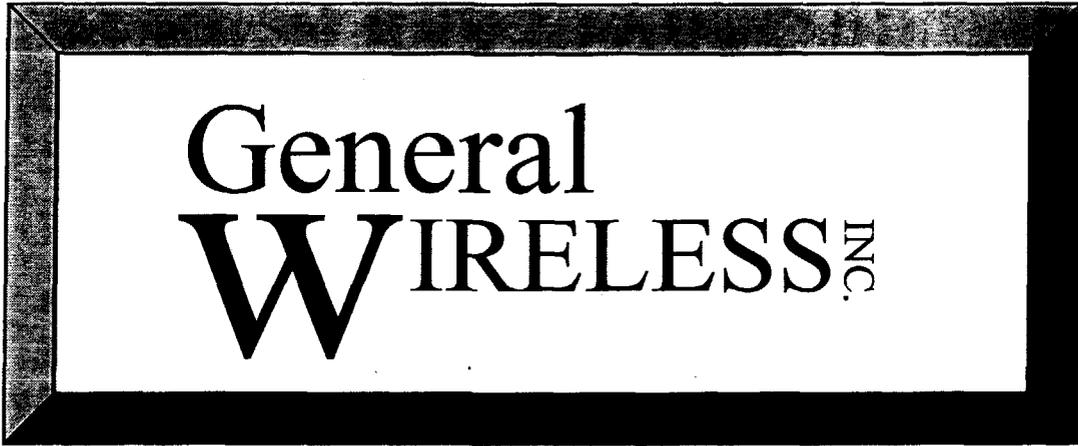


Jay L. Birnbaum  
Counsel for General Wireless, Inc.

Enclosures



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General  
**W**IRELESS<sup>INC.</sup>

# FCC C-Block Restructuring

August 8, 1997

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General  
**W**IRELESS<sup>INC.</sup>

# ***General Wireless, Inc.***

## ***(GWI) Profile***

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### **Company Background**

- Founded in 2Q94 by previously successful wireless entrepreneurs (PageMart)
- Third largest C-Block licensee (\$106 million down payment)
- 14 BTAs (17.9 million Pops)

### **Senior Management Team Has Extensive Wireless Experience**

### **Business Plan Designed to Exploit Weaknesses of Established Traditional Competitors**

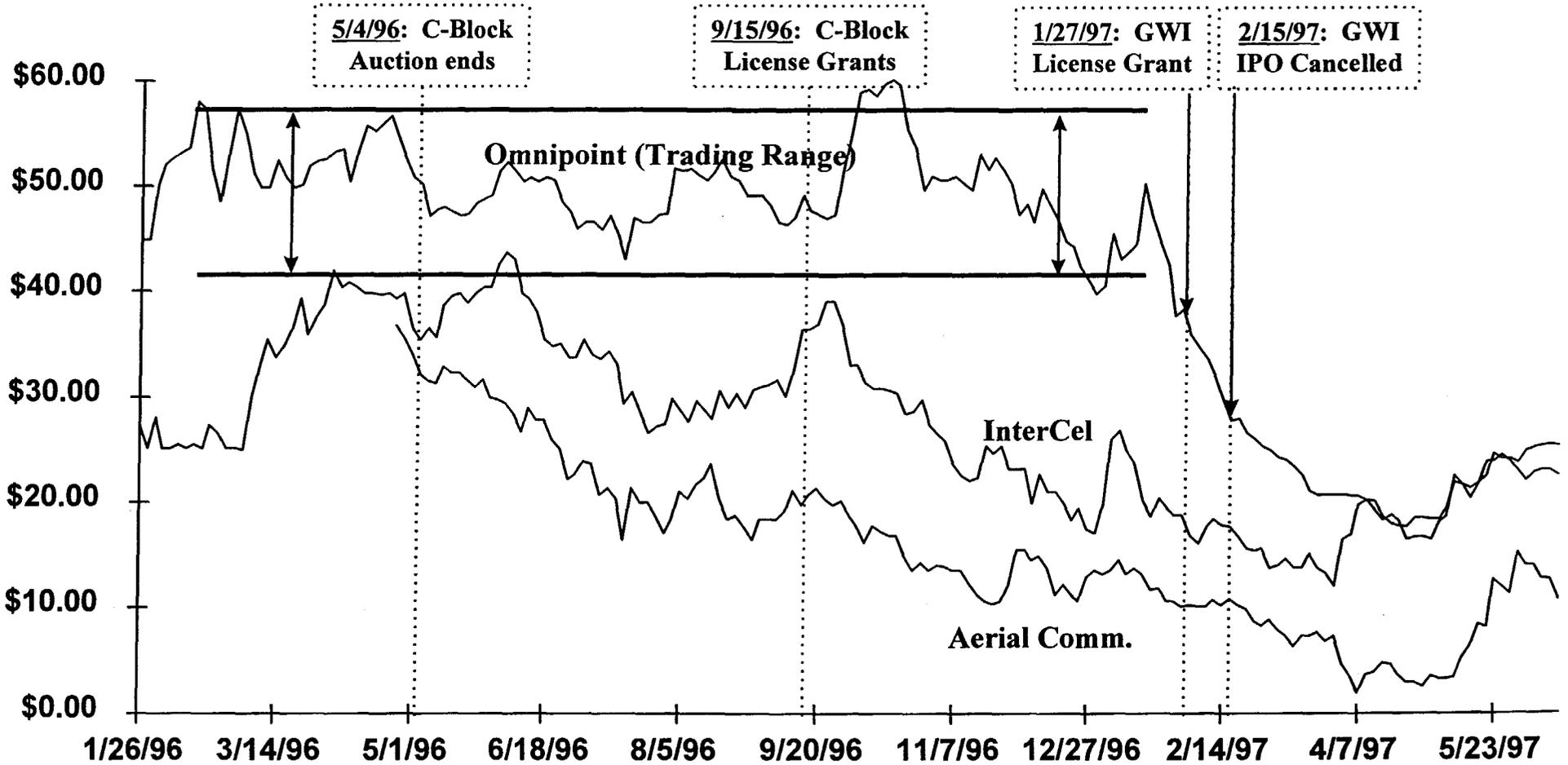
### **Financing To-Date**

- \$112 million private debt and equity
- \$300 million commitment from Lucent Technologies, Inc.

***GWI is an independent small business that will compete with Fortune 50 companies***

# Following Auction - PCS Stock Index Declines As Much As 75%

Public Market Enterprise Valuation (\$ per POP)



# *The Problem is Pervasive*

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## *Petitioners Requesting the FCC to Restructure Debt . . .*

- ❑ 39 licensees (44%) representing:
  - 202 million Pops (80%)
  - \$8.5 billion of net cash bids (84%)

*Amnesty is important to quickly move forward*

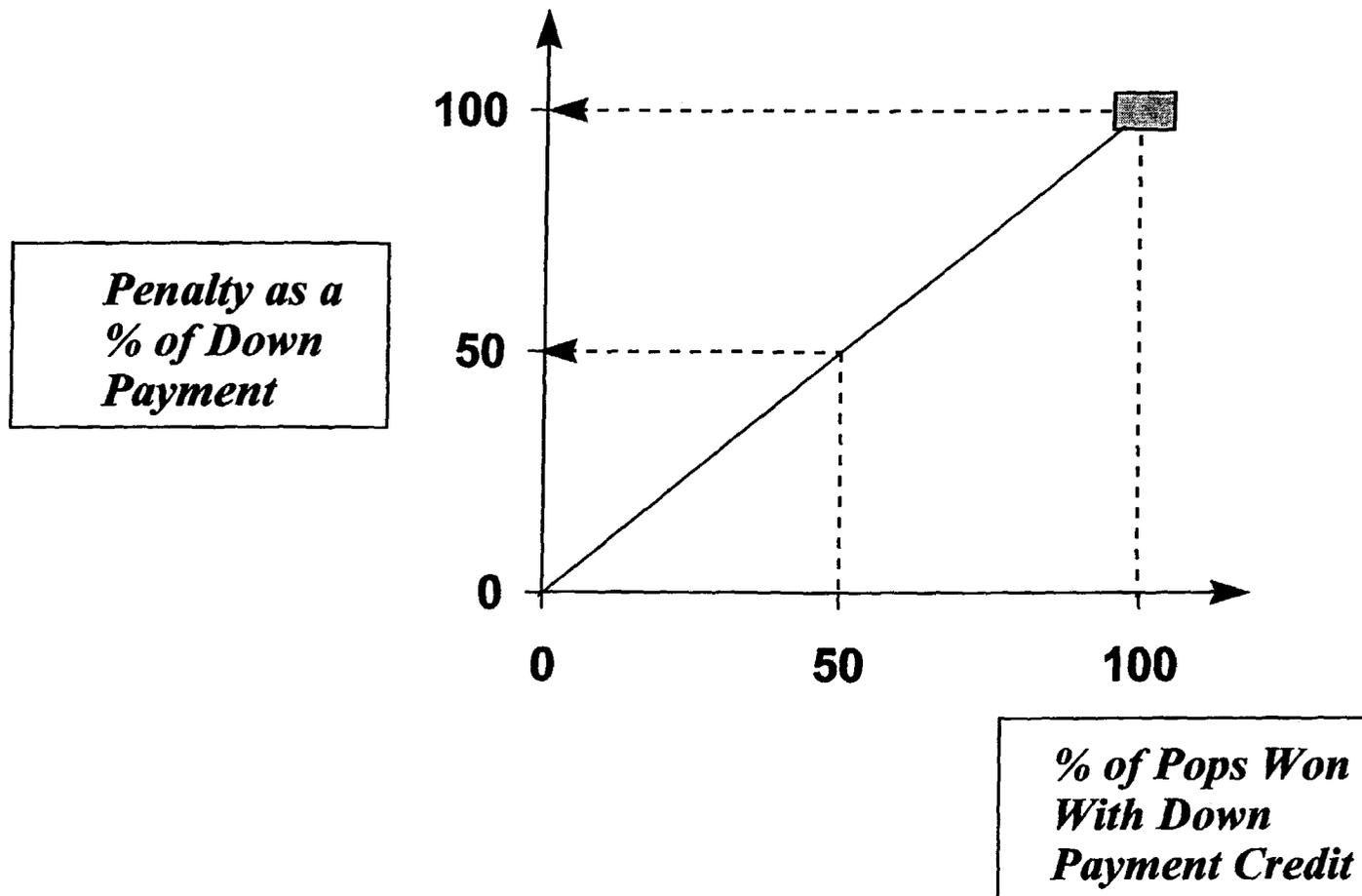
# ***GWI's Definition of Amnesty Re-Auction***

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- Participants:** Qualified DEs
- Cash Upfront:** All cash to be bid in auction deposited in advance
- “Store Credit”:** Equal to 100% of non-refundable down payments
- Deferred Cash Penalty:**
  - A. **Penalty:** Sliding scale based on Pops won in re-auction
  - B. **Term of Payment:** Deferred for 5 years with no interest
  - C. **Mandatory Pre-Payment:** 10% of positive EBITDA
- New Money Not Penalized**
- Equity Penalty:**
  - A. Existing minimum of 15% for Qualifying Investors reduced to 5%
  - or-
  - B. 10% equity transferred to Government (e.g., Universal Service Fund)

# *Deferred Penalty Proportional to Pops Won In Re-Auction*

## **Deferred Cash Penalty**



# *Amnesty Re-Auction is Superior to Revoke Re-Auction in Meeting Commission Goals*

## Commission Goals

### **Integrity of Commission (Rules Are The Rules)**

- Licenses reclaimed
- Downpayment retained
- Penalties imposed

### **Fairness**

- Dropouts
- Other licensees

### **Speed to Market**

- Control over licenses
- Time to recover licenses

### **Acceptable Proceeds**

- Auction competition
- License prices

### **Amnesty Re-Auction**

Voluntary Return  
"Store Credit"  
Deferred & Collectible

### **Revoke Re-Auction**

Bankruptcy  
Forfeit  
Not Collectible

← Participate in Both Cases Indirectly Revalued →

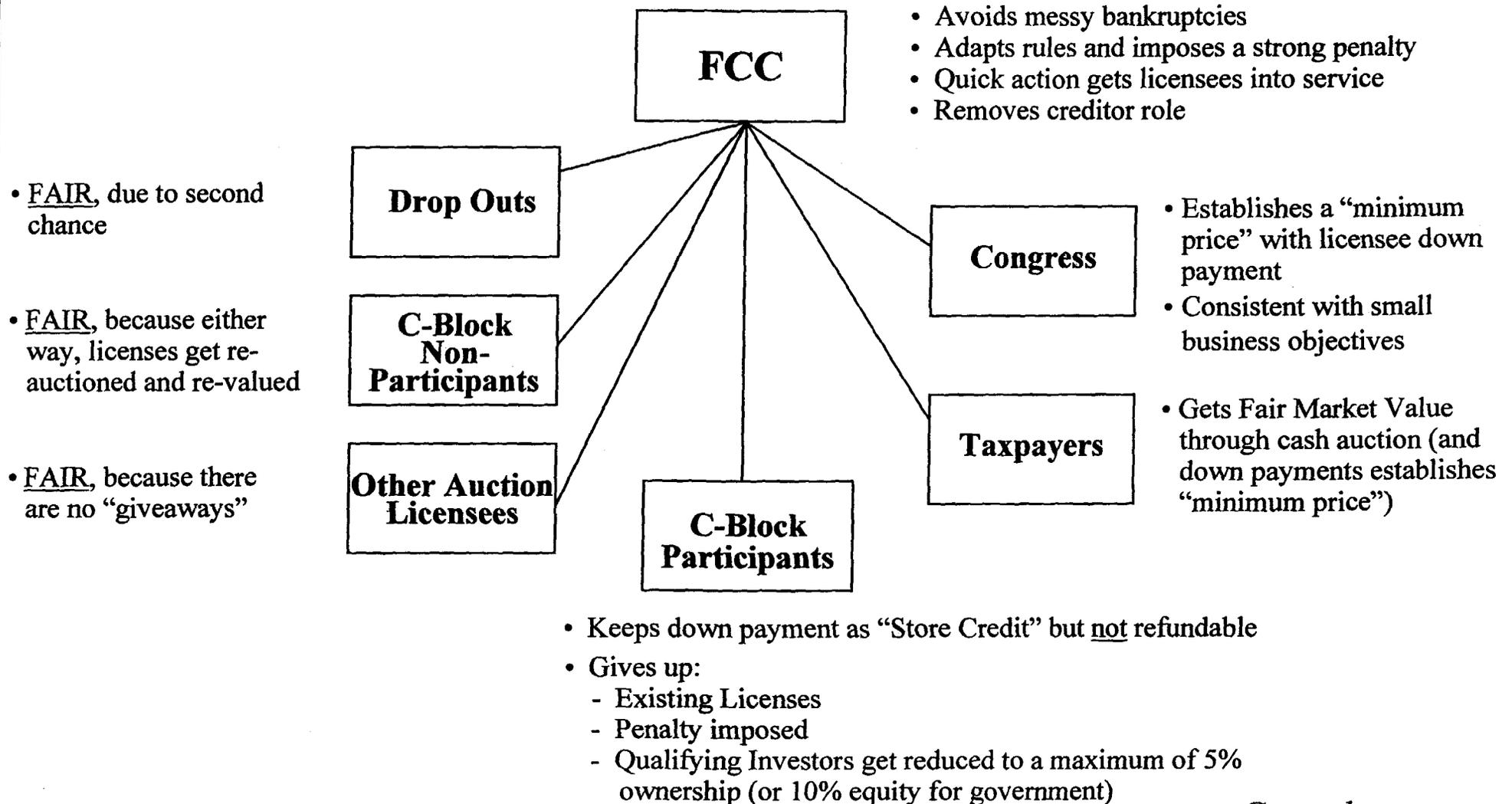
FCC  
Voluntary & Immediate

Courts/FCC ?  
Delay/Piecemeal Recovery

Most \$ and Participants  
Highest Prices

Fewest \$ and Participants  
Lowest Prices

# *Amnesty Re-Auction Balances Interests of all Stakeholders*



# *Conclusion*

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- Restructure: Only a significant restructuring of the debt can be financed in today's capital markets**
- Re-Auction: Amnesty Re-Auction balances interests of all stakeholders**
- Quick implementation is critical to facilitate rapid progress towards commercial service**

***A Partial Solution Will Not Work!***



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## *Basic Approach: Re-Auction with “Store Credit” of 100% of Down Payment*

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- Cash only re-auction with “Store Credit” of 100% of down payment to DEs who opt for putting all their licenses back into the auction pool
- Deposit credit not available for “cherry picking” within current DE license portfolio

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## *Deferred Penalties for DEs Who Elect Re-Auction (With 100% of Down payment as “Store Credit”)*

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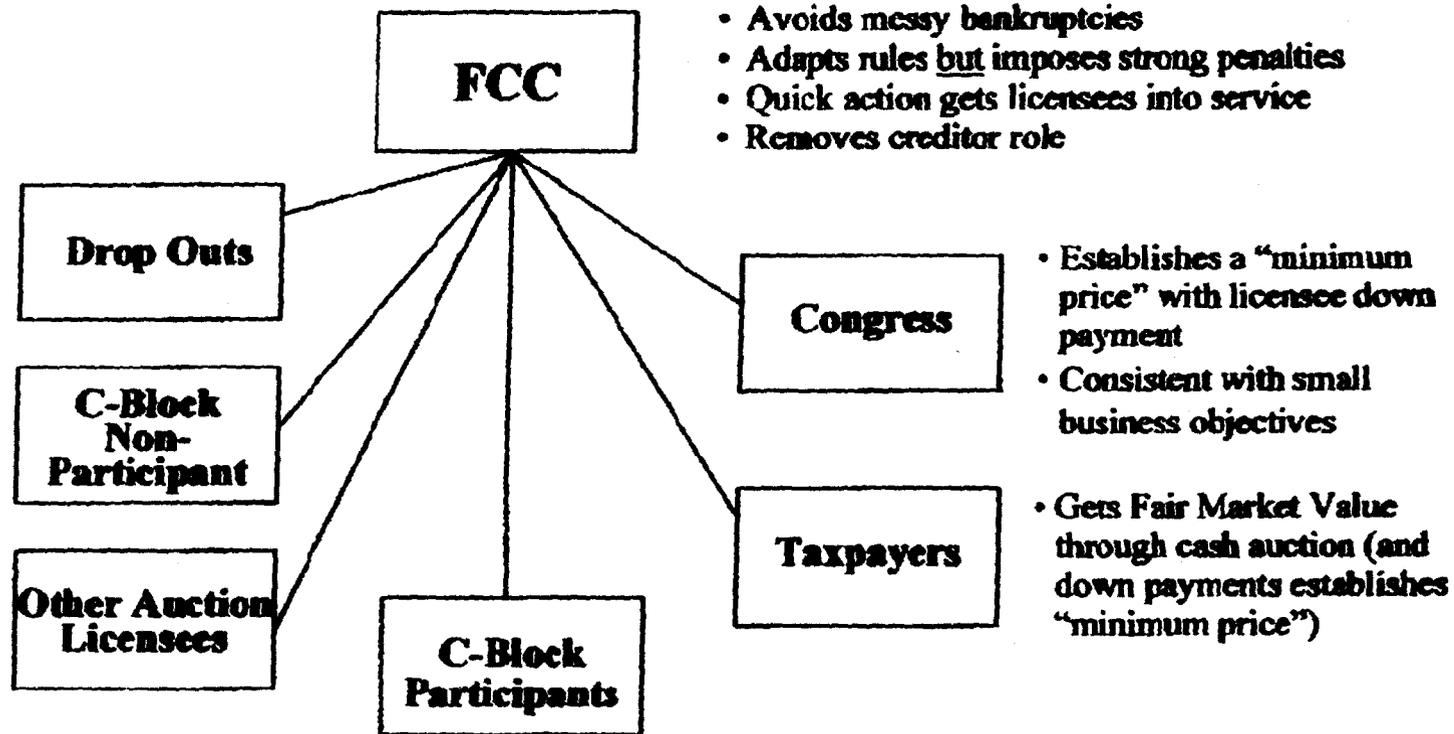
### Cash Penalty:

- (A) Sliding Success Penalty: Up to 100% of the down payment paid as penalty after the auction if participating DE wins 100% or more of current Pops in a Re-auction using down payment money. If a DE wins zero Pops in a re-auction, the penalty is zero but down payment not refundable. Proportional sliding scale for all other outcomes (i.e., if 50% of current Pops are won in a re-auction with down payment money, the penalty is 50% of the down payment).
- (B) Terms: 5 years, no interest but accelerated payment provision at the rate of 10% of positive EBITDA.
- (C) New Money: Not “penalized” in auction

### Equity Penalty:

- (A) Existing minimum 15% Qualifying Investor obligations: to the extent currently held in options or "cheap" stock must be reduced to a maximum of 5% prior to a re-auction, or ...
- (B) Alternatively, amount of reduction of equity envisioned in (A) could be transferred to the federal government, universal service fund, etc.

# Cash Re-Auction With Deferred Penalties



- Avoids messy bankruptcies
- Adapts rules but imposes strong penalties
- Quick action gets licensees into service
- Removes creditor role

- FAIR, due to second chance
- FAIR, because either way, licenses get re-auctioned and devalued
- FAIR, because there are no "giveaways" (and other licensees wouldn't want these terms)

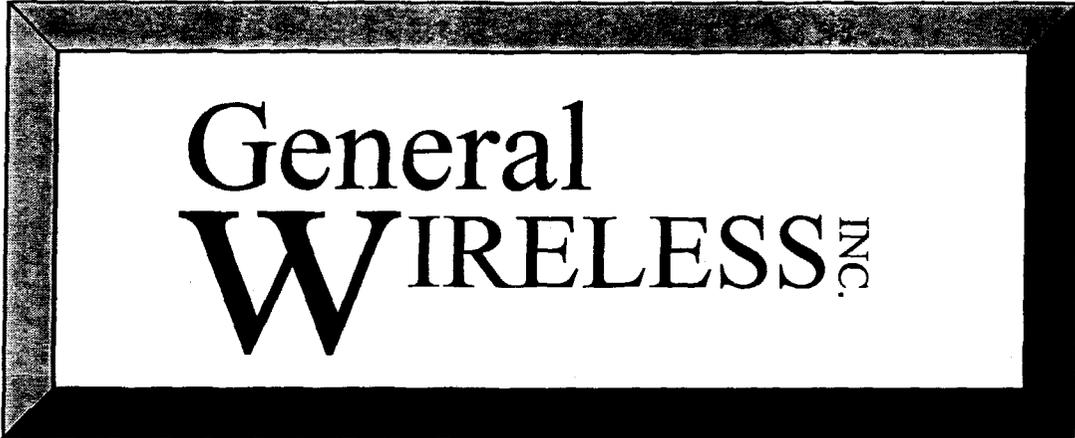
- Establishes a "minimum price" with licensee down payment
- Consistent with small business objectives
- Gets Fair Market Value through cash auction (and down payments establishes "minimum price")

- Keeps down payment as "Store Credit" but not refundable
- Gives up:
  - Existing Licenses
  - Penalty imposed
  - Qualifying investors get reduced to a maximum of 5% ownership (or 10% equity for government)



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General  
**W**IRELESS<sup>INC</sup>

# **FCC C-Block Restructuring**

**August 8, 1997**

General  
**W**IRELESS<sup>INC</sup>

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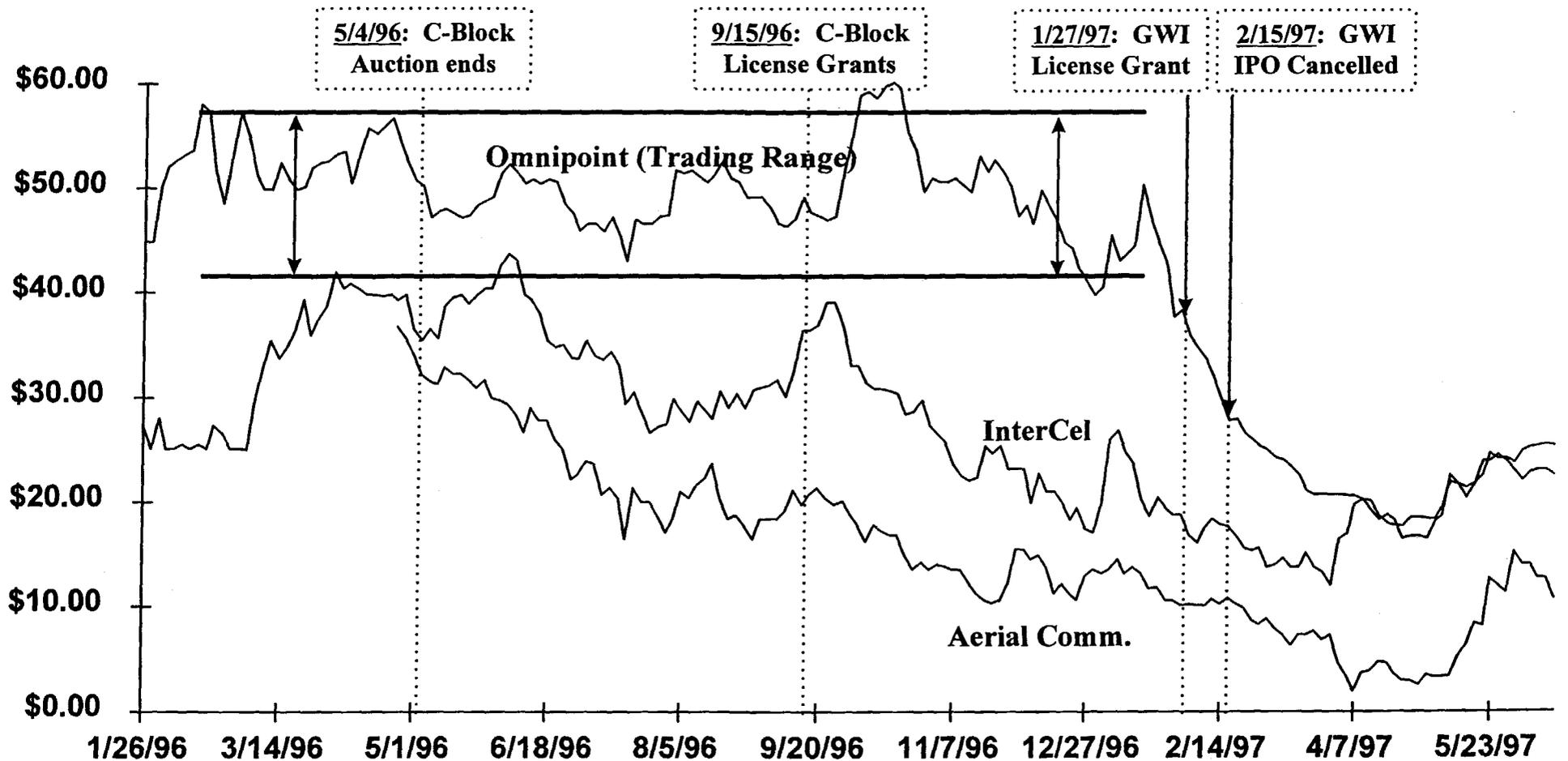
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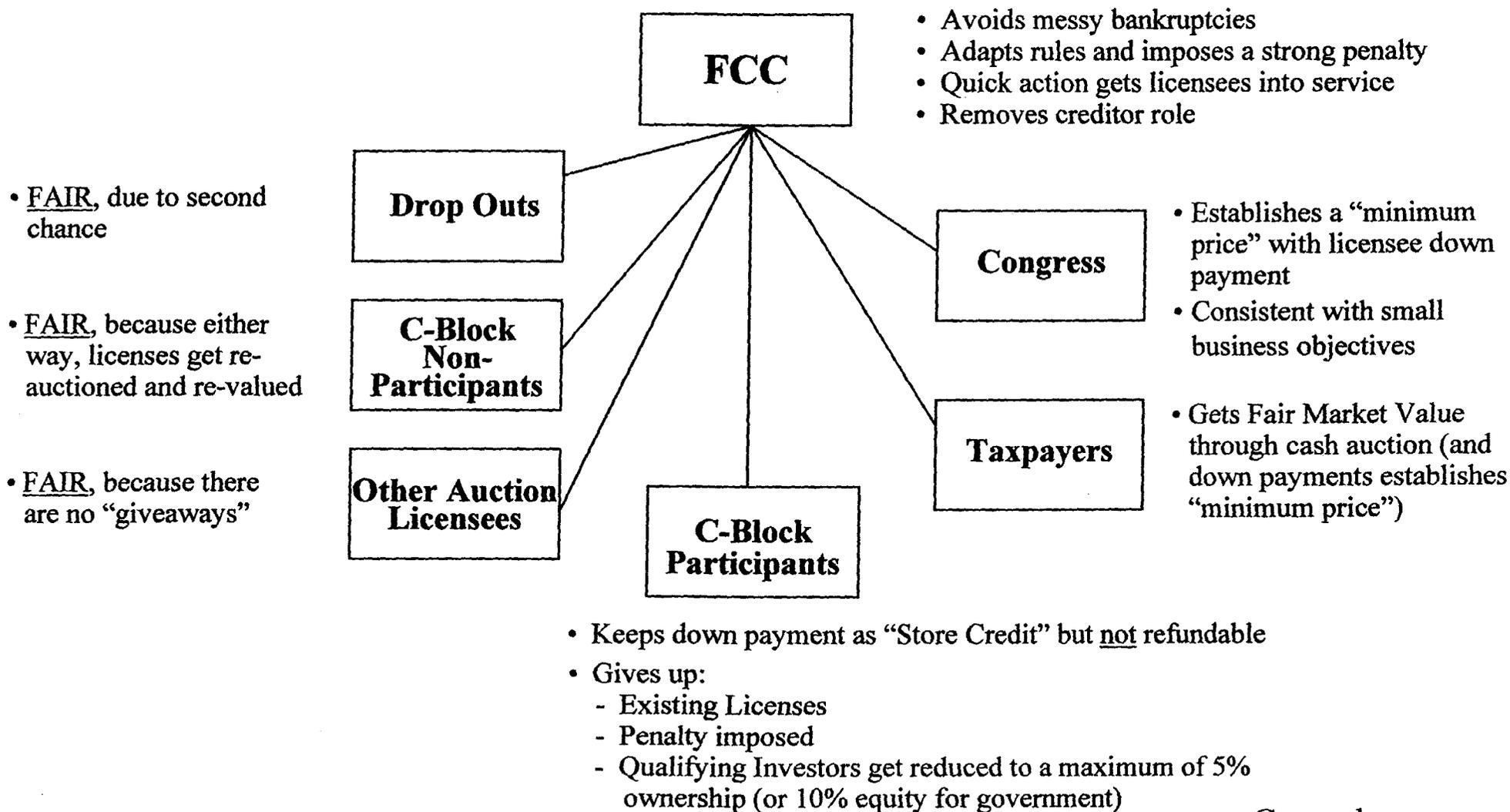
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# *Amnesty Re-Auction Balances Interests of all Stakeholders*



# *Deferred Penalty Proportional to Pops Won In Re-Auction*

## Deferred Cash Penalty

