

**AirGate Wireless**

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July 31, 1997

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

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AUG 4 1997  
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Re: Ex Parte Presentation WT Docket 97-82

Dear Mr. Caton:

Attached is an original and one copy of a written ex parte letter submitted in WT Docket No. 97-82. If you have any questions regarding this filing, please call the undersigned at (301) 540-6222. Please date stamp and return the extra copy of this filing in the enclosed, self-addressed, stamped envelope.

Sincerely,

*Shelley Spencer*  
Shelley Spencer

Attachments

No. of Copies rec'd 021  
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*AirGate Wireless*

July 31, 1997

Chairman Reed Hundt  
Commissioner James Quello  
Commissioner Rachelle Chong  
Commissioner Susan Ness  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

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**Re: Surviving the PCS Auctions**

Dear Chairman Hundt and Commissioners Quello, Chong and Ness:

As you continue to consider requests to drastically alter the financing available to C block PCS licensees I wanted you to hear from my colleague, Dave Roberts, an individual who has shared and sought the dream of many entrepreneurs who participated in the C and F block PCS auctions. Dave's life, as well as that of his family, has been dedicated to pursuing that dream for the past four years. Faced with the escalating prices in the C block auction, Dave and the other members of our company modified that dream to make sure it made sound business sense and based on our firm belief in the strict enforcement of the FCC's rules and its auction process.

Attached is an editorial written by Dave that was published in the July 14, 1997 issue of RCR Publications. Written from the heart, the editorial shows the real touch of the FCC's rules and how post-auction changes would undermine the sound business strategies of many PCS entrepreneurs.

As a bidder that has survived the auction process to make wise business decisions, we encourage the Commission to enforce its rules for the C and F block licensees as the only fair and reasonable response to the self inflicted financial plight of certain bidders.

Sincerely,

*Shelley Spencer*  
Shelley Spencer

Attachment

cc: Jackie Chorney  
Rudy Baca  
David Siddall

Suzanne Toller  
Jon Garcia  
Sande Taxali

William Caton

## PCS licensee says keep auction rules

Dear Editor:

In 1993, I resigned from a corporate engineering position to become part of a start-up venture eager to participate in broadband PCS auctions. My wife remembers it well!

After the FCC postponed

the May 1994 auction process indefinitely, our company size and investor interest dwindled. Once the A- and B-block auctions got underway with the promise of the C-block auction to immediately follow, we once again found new interest from investors. But the litigation started and the C-block auction was delayed and delayed and delayed. Even so, we survived on consulting revenues and venture capital investments. As late 1995 approached, our company was cautiously optimistic as we finalized a relationship with a large investor who facilitated a down payment of \$20 million.

As the auction began, we felt elated that what had been only a dream two years earlier was now coming to fruition. This dream died in round 42 of the C-block auction when our company withdrew due to what we, as well as our investors, believed were outrageously high prices for the licenses being offered. Given what everyone had been through to get to this point in the process, this was a very emotional decision. But, we felt it was the correct one from a business point of view though questions remained. When would other auctions be held? Would our large investors wait for these opportunities? Why was there such a discrepancy in how we valued licenses in our business plans vs. how other bidders, who were continuing to bid, valued them? How would the FCC deal with defaulting bidders?

At the end of the auction process, many of the experienced people who made up our company moved on to other ventures and with them the hopes, dreams and opportunities that appeared so achievable at the start of the auction process came to an end. With our large investor departed, I and a few others remained with the hope that default and the D-E- and F-block auctions would follow quickly. Both did. Our company bid in the C-block reaction with the same results as in the previous auction. As the D-, E- and F-block auctions approached, investors became difficult to find due to the questions surrounding the prices paid for C-block licenses.

With the sole support of our venture capital group,

broadband auction. Our company was a successful high bidder for four F-block licenses that we believed were good markets at a fair price. We felt somewhat vindicated. We had made a wise business decision to leave the C-block auction and had persevered to win licenses in the F-block. The difference in our F-block license costs and the C-block licenses in our markets was substantial. Investors and vendors alike gave favorable approval to our business plans.

At this point, my story takes what is to me an unbelievable turn. Many of the C-block high bidders are now looking to the FCC for debt restructuring and/or cancellation because the prices they paid for their C-block licenses are preventing them from being financed. Many complain of "market melt down." I believe that the prices paid in the C-block auction actually propagated a depressed market for telecom stocks. Maybe a self-fulfilling prophecy? At the FCC forum on C-block debt restructuring, some top financial people said C-block license winners were fundable at some point during the auction process. Though now, only 14 months later, these same financial investors are stating that the license debt needs to be written down to the tune of 75 to 80 percent. What a drastic change in outlooks! I suspect many of these business plans were never fundable in the first place given the prices paid for the licenses.

It appears though that the FCC is open to some form of debt restructuring even after stating more than once: "We do not want to interfere in the market place." "We guarantee opportunity, not success," "We will go after licensees who default on their auction payments, cancel their licenses and re-auction the affected spectrum." The point I was missing at the FCC forum was the fact I believed that my company made a wise business decision to leave the C-block auction and wait for future opportunities, but if the FCC makes significant changes to the license payments, they will be sending my company a different message. I also hear the financial community stating how important a good management team is to its in-

I heard stated at the FCC forum is the fact that with a significant license debt restructuring, these financial investors would be willing to invest in these same companies whose management placed what appear to now be "fatal" bids.

To me, the integrity of the auction process is greatly at stake. I always viewed the FCC as having rules, not guidelines when they formulated their orders for these auctions. Any changes at this late date to the C-block rules would send a message to the industry that the FCC can be had for the right price! The license prices (values) were established by the market when the respective auctions were held. If the FCC intervenes on behalf of the C-block licensees and re-establishes a market value (price) for these licenses, what effect will that have on other broadband PCS licenses and company values? Justice and fairness are hard words to define in our world today, but it seems to me that what the FCC is contemplating is neither. What fairness is there for my company along with approximately 170 others if significant reductions are made to the debt of current C-block licensees? What justice is there in the fact my company, which waited and won F-block licenses, will look significantly different to investors if the C-block licenses debt is restructured?

I am not looking for sympathy because I know there are hundreds of stories similar to mine. What I would

like to accomplish with this letter is simply to have all sides of the issue known. Not just the incessant crying of overzealous bidders who have, and continue to make a mockery of the FCC and the PCS industry.

David C. Roberts  
AirGate Wireless

## Nortel to establish Brazil operations

SAO PAULO, Brazil—Following BellSouth Corp.'s announcement that it has chosen Northern Telecom Inc. to provide infrastructure for its network in Sao Paulo, Brazil, Nortel said it will establish manufacturing operations in Brazil to respond to the enormous growth of the wireless market.

The company said it will manufacture digital wireless telecommunications systems in Campina, Sao Paulo State, with Promon Eletronica, Brazil's leading engineering firm, beginning in the fourth quarter.

Nortel's initial investment will total more than \$25 million in manufacturing and \$100 million in associated operations, including training and research and development.

The company said it plans to manufacture Time Division Multiple Access and Code Division Multiple Access wireless radio base station equipment. The two technologies are making strong inroads in Latin America.



The Weekly Newspaper for the Wireless Industry

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