WILEY, REIN & FIELDING

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OCT - 6 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

October 6, 1997

NANCY J. VICTORY
(202) 429-7388

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(202) 429-7049

The Honorable Reed E. Hundt
The Honorable James H. Quello
The Honorable Rachelle B. Chong
The Honorable Susan Ness
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: MobileMedia Corporation *et al.* (WT Docket No. 97-115)

Dear Mr. Chairman and Comissioners:

Enclosed please find the monthly status report of MobileMedia Corporation, filed pursuant to the Commission's stay order in the above-referenced proceeding.

Should any questions arise concerning this filing, please contact the undersigned counsel for MobileMedia Corporation.

Sincerely,

Nancy J. Victory

Nancy J. Victory

cc: service list on attached document

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OCT - 6 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

MOBILE MEDIA CORPORATION
65 Challenger Road
Ridgefield Park, New Jersey 07660
(201) 393-4664
Fax: (201) 449-8969

October 6, 1997

The Honorable Reed E. Hundt
The Honorable James H. Quello
The Honorable Rachelle B. Chong
The Honorable Susan Ness
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: MOBILE MEDIA Corporation et al. (WT Docket No. 97-115)

Dear Mr. Chairman and Commissioners:

Pursuant to Paragraph 19 of the Stay Order entered by the Commission on June 6, 1997, MOBILE MEDIA submits this monthly report as to the progress of the bankruptcy proceedings:

I. PROCEEDINGS IN THE BANKRUPTCY COURT

Activity in the Bankruptcy Court in September included a motion seeking an extension of the time period prescribed by the Bankruptcy Code within which the Debtors are required to assume or reject their leases of non-residential real property. The Court granted the Debtors' motion on September 29, extending the deadline to December 31, 1997. A copy of the Motion and the Court's Order are attached hereto as Exhibit A. The deadline, as extended, is consistent with the bankruptcy timetable previously supplied to the Commission. The Debtors are currently engaged in the process of reviewing their leases to determine if they will assume or reject them prior to or upon confirmation of their plan of reorganization. As part of that process, the Debtors filed a motion with the Bankruptcy Court in September relating to the rejection of nine leases pursuant to which the Debtors lease office space and tower sites.

Several motions and stipulations were also presented to the Bankruptcy Court seeking approval of settlements of contract and claim disputes with various creditors.

II. PROGRESS TOWARDS A PLAN OF REORGANIZATION

In response to the Debtors' formal solicitation of bids from prospective third-party purchasers[1], the Debtors received three preliminary, non-binding expressions of interest on September 24. The Blackstone Group has begun evaluating these bids and has already commenced further discussions with the bidders. Information concerning the bids has been provided to the professional advisors to the Debtors' Secured Lenders and Creditors Committee so that these constituencies will be able to participate in the evaluation of the bids.

September was also devoted to the preparation of the Debtors' three-year business plan, which the Debtors anticipate will be circulated to the Secured Lenders and Creditors Committee on or about October 10. The business plan will form the basis of plan negotiations with the creditors concerning a standalone plan, and also provides a framework within which to evaluate the third-party bids that have been received. Once the business plan is completed, the Secured Lenders and the Creditors Committee, and their financial advisors, will have an opportunity to review it and discuss it with the Debtors' management.

III. FINANCIAL PERFORMANCE

As previously indicated, the Debtors are required to file Monthly Operating Reports with the United States Trustee. The Monthly Operating Report provides information relating to the Debtors' financial performance for the prior month. A copy of the Debtors' Monthly Operating Report for August 1997, which was filed on September 30, 1997, is attached hereto as Exhibit B.

IV. OTHER DEVELOPMENTS

As noted previously, the Debtors are continuing to evaluate the validity of the more than 2,000 filed pre-petition claims, with the goal of resolving as many claims as possible without litigation. In September, the Debtors focused on reconciling the approximately 580 tax claims that have been filed against the Debtors. In the aggregate, filed tax claims total approximately $27.6 million. Determining the amount of the Debtors' liability on tax claims is an important component of the Debtors' preparation for plan negotiations and plan formulation.

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[1] As noted in prior reports, The Blackstone Group and the Debtors believe it would be detrimental to the plan process to disclose the identities of these third-parties and, indeed, the bids themselves contain confidentiality restrictions.

We hope that this information is helpful. If we can provide any additional information or if you have any questions with regard to the foregoing, please let me know.

Sincerely,

JA Bondi

Joseph A. Bondi
Chairman-Restructuring

cc: William E. Kennard, Esq.
Daniel Phythyon, Esq.
David Solomon, Esq.
Rosalind K. Allen, Esq.
Gary Schonman, Esq.
John J. Riffer, Esq.
John Harwood, Esq.
Philip Spector, Esq.
Mr. William Caton (for inclusion with WT Docket No. 97-115)

::ODMA\PCDOCS\NEWYORK\910114 October 3, 1997 (10:26am)

A

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
MobileMedia Communications, Inc., *et al.*,	)	Case No. 97-174 (PJW)
	)	(Jointly Administered)
Debtors.	)	

MOTION FOR AN ORDER PURSUANT TO SECTION 365(d)(4) OF THE BANKRUPTCY CODE EXTENDING THE PERIOD WITHIN WHICH THE DEBTORS MAY ASSUME OR REJECT UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY

TO: The Honorable Peter J. Walsh
United States Bankruptcy Judge

MobileMedia Corporation, a Delaware corporation ("MobileMedia"), MobileMedia Communications, Inc., a Delaware corporation ("Communications"), and subsidiaries of Communications, each a debtor and debtor-in-possession herein (collectively, the "Debtors"), hereby move this Court for entry of an order extending for three months the period within which the Debtors may assume or reject unexpired leases of nonresidential real property. In support of this motion, the Debtors allege:

Jurisdiction

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory predicate for the relief requested herein is section 365(d)(4) of title 11 of the United States Code (the "Code").

Background

2. On January 30, 1997 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Code, and has continued in possession of its properties and has continued to operate and manage its business as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Code.

3. No request has been made for the appointment of a trustee or examiner. On February 10, 1997, an official committee of unsecured creditors (the "Committee") was appointed by the United States Trustee.

4. MobileMedia is a public company and is primarily a holding company for 100% of the stock of Communications. Communications is the second largest provider of paging and wireless messaging services in the United States. Additional general background concerning the Debtors is set forth in the Affidavit of Santo J. Pittsman filed on the Petition Date.

Relief Requested

5. On April 14, 1997, the Debtors sought and obtained a six month extension of the 60-day period specified in section 365(d)(4) of the Code within which a debtor must assume or reject unexpired real property leases (the "First Extension"). As a result of the First Extension, the deadline for the Debtors to assume or reject unexpired real property leases is September 30, 1997. The First Extension was expressly subject to the Debtors' right to request a further extension, if necessary.

6. By this motion and pursuant to the terms of the First Extension and section 365(d)(4) of the Code, the Debtors request that the time within which they must assume or reject unexpired real property leases be extended an additional three months, to December 31, 1997. The requested extension is subject to (a) the right of the Debtors to request a further extension, if necessary, with respect to all leases or any particular lease, and (b) the right of any lessor to request that the extension be shortened as to a particular lease.

7. The First Extension was based in part on the sheer number of leases to be evaluated by the Debtors. The Debtors are party to more than three hundred unexpired leases of nonresidential real property which relate to property used by the Debtors for retail stores, sales offices, administrative offices and storage (the "Building Leases"), and more than four thousand (4,000) leases for tower and other sites at which the Debtors have installed transmitters (the "Tower Leases" and, together with the Building Leases, the "Leases").[1] Since the Petition Date, on nearly a monthly basis, the Debtors have filed motions seeking the rejection of Building Leases and Tower Leases. Pursuant to those motions, the Debtors have to date rejected 56

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[1] As set forth in the motion seeking the First Extension, under state law governing a particular Tower Lease, the lease may be considered a lease of real property or it may be considered a lease of personal property. The Debtors believe that it is not necessary to decide that state-law question now; rather, in the event any Tower Lease is determined to be a lease of real property, but without waiving the right to contest such determination, the Debtors request that the three month extension sought herein also apply to such Tower Lease.

Leases, and have either terminated or renegotiated the terms of many others. However, given the number of Leases to which the Debtors are party, the Debtors anticipate that this process will continue for several more months.

8. This process is critical to the Debtors' future operations because of the importance of the Leases to the Debtors' business. The Debtors operate the retail portion of their business from store locations throughout the country that are leased pursuant to the Building Leases. Even more importantly, all paging messages are sent via transmitters located on property leased pursuant to the Tower Leases. The determination of which Leases to assume or reject will, therefore, play an important part in the Debtors' overall restructuring strategy.

9. The Debtors have already begun exploring their reorganization opportunities. In particular, the Debtors are working closely with The Blackstone Group, L.P. ("Blackstone"), their financial advisors and investment bankers, on potential third-party transactions. In addition, the Debtors and Blackstone are simultaneously pursuing "stand-alone" plan possibilities, and already have had preliminary discussions with the Committee and the agent for their pre-petition secured lenders about possible plan structures. The Debtors hope to be well on their way to formulating a plan of reorganization in November and December.

10. To that end, the Debtors are currently in the process of developing a business plan that ultimately will form

the basis of any plan of reorganization. The Debtors expect to have the business plan completed by the end of September, which will then be subject to review and scrutiny by the Committee, the Agent for the Debtors' pre- and post-petition secured lenders and their respective advisors. The Debtors believe that the analysis of which Leases are to be assumed and which are to be rejected -- determinations that will result both in reduced future liabilities and the preservation of valuable assets -- must be done within the framework of the business plan and plan of reorganization and cannot, therefore, be completed intelligently in the time frame provided by section 365(d)(4) and the First Extension.

<u>Cause Exists To Extend The Time To Assume Or Reject Leases</u>

11. Section 365(d)(4) of the Code authorizes the Court to extend the time for the Debtors to assume or reject the Leases for "cause". Various courts have discussed what constitutes sufficient cause to extend the time period within which a debtor may assume or reject unexpired nonresidential leases. One of the most extensive lists of factors to consider in determining whether there is cause for an extension was formulated in <u>In re Wedtech Corp.</u>, 72 B.R. 464 (Bankr. S.D.N.Y. 1987). The debtor in that case sought an extension of the sixty-day time period and the court held that the following factors, among others, would tend to indicate that "cause" existed to extend the statutory period:

(a) where the leases are an important asset of the estate such that the decision to assume or reject would be central to any plan of reorganization;

(b) where the case is complex and involves large numbers of leases; or

(c) where the debtor has had insufficient time to intelligently appraise each lease's value to a plan of reorganization.

Id. at 471-72. See also Legacy, Ltd. v. Channel Home Centers, Inc. (In re Channel Home Centers, Inc.), 989 F.2d 682, 689 (3d Cir.) ("[N]othing prevents a bankruptcy court from granting an extension because a particular debtor needs additional time to determine whether the assumption or rejection of particular leases is called for by the plan of reorganization that it is attempting to develop."), cert. denied, 114 S. Ct. 184 (1993).

12. Under the Wedtech criteria, it is clear that cause exists in the instant case to extend further the period within which the Debtors may assume or reject the Building Leases and, if applicable, the Tower Leases. Granting the relief requested will provide the Debtors the time and flexibility they need to intelligently and strategically coordinate the assumption or rejection of their numerous Leases with the process of formulating and implementing a business plan that will serve as the foundation for a confirmable plan of reorganization.

13. Pending a determination as to whether to assume or reject the Leases, the Debtors are performing and will continue to perform timely all of their postpetition obligations under the Leases, and the lessors to the Leases have not been and will not be harmed in ways that cannot be compensated under the Code. In addition, the Debtors will continue the process of reviewing all their Leases to make ongoing rejection and assumption decisions.

14. Accordingly, the Debtors submit that their request to extend to December 31, 1997 the period within which they must assume or reject the Building Leases and, if applicable, the Tower Leases, is in the best interests of the Debtors' estates and their creditors, and should be granted.

Notice

15. Notice of this Motion will be provided by mailing a copy of this Motion and the proposed order to (i) the United States Trustee, (ii) counsel for the Committee, (iii) counsel for the pre-petition and post-petition secured lenders to the Debtors, (iv) each lessor of a Lease or its counsel, and (v) those parties who have filed notices of appearance in this case pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure.

16. No previous request for the relief sought by this Motion has been made by the Debtors to this or any other court.

17. Pursuant to Local District Court Rule 7.1.2.(a), incorporated by reference into the Local Rules of the Bankruptcy Court by General Order 1, because there are no novel issues of law presented in the Motion, the Debtors waive their right to file a brief in support of this Motion and elect to rely upon the authorities cited herein.

WHEREFORE the Debtors respectfully request that the Court enter an order granting the relief sought herein, and granting to the Debtors such other and further relief as is just and proper.

Dated: New York, New York
September 2, 1997

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Attorneys for Debtors and
Debtors-In-Possession

By: Joel A. Waite
One of their attorneys

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
MobileMedia Communications, Inc., *et al.*,	)	Case No. 97-174 (PJW)
	)	(Jointly Administered)
Debtors.	)	

ORDER PURSUANT TO SECTION 365(d)(4) OF THE BANKRUPTCY CODE EXTENDING THE PERIOD WITHIN WHICH THE DEBTORS MAY ASSUME OR REJECT UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY

Having considered the Motion for an Order Pursuant to Section 365(d)(4) of the Bankruptcy Code Extending the Period Within Which the Debtors May Assume or Reject Building Leases of Nonresidential Real Property (the "Motion"), in which the Debtors seek an order extending the period within which the Debtors may assume or reject unexpired leases of nonresidential real property; and it appearing that sufficient notice of the Motion has been given; and there appearing good and sufficient cause to grant the relief hereinafter set forth; after due deliberation, it is hereby

ORDERED, that, pursuant to section 364(d)(4) of title 11 of the United States Code (the "Code"), the time within which the Debtors may assume or reject unexpired leases of non-residential real property, is extended to and including December 31, 1997; and it is further

ORDERED, that, to the extent that any lease of towers or other sites at which the Debtors maintain a paging transmitter (a "Tower Lease") is, under the state law applicable to such

Tower Lease, determined to be a lease of real property, the time period set forth in section 365(d)(4) of the Code is extended as to such Tower Lease to and including December 31, 1997; and it is further

ORDERED, that the extension granted by this Order is without prejudice to (a) the Debtors' rights (i) to seek a further extension of time to assume or reject some or all of its leases, and (ii) to contest any determination that a Tower Lease is a lease of real property covered by section 364(d)(4) of the Code, and (b) the right of any lessor to request, for cause shown, that the extension granted should be reduced with respect to any particular lease.

Dated: Wilmington, Delaware
____________________, 1997

____
THE HONORABLE PETER J. WALSH
UNITED STATES BANKRUPTCY JUDGE

::ODMA\PCDOCS\NEWYORK\11565\1 September 5, 1997 (2:23pm)

B

OFFICE OF THE U.S. TRUSTEE - REGION 3
MONTHLY OPERATING REPORT

For the month ended August 31, 1997

Debtor Name: **MobileMedia Corporation et al.**

Case Number: **97-174 (PJW)**

Required Attachments:	**Document Attached**	**Previously Submitted**	**Explanation Attached**
1. Tax Receipts	( )	(X)	(X)
2. Bank Statements	( )	( )	(X)
3. Most recently filed Income Tax Return	(X)	( )	( )
4. Most recent Annual Financial Statements prepared by accountant	( )	(X)	( )

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE.

RESPONSIBLE PARTY:

David R. Gibson

SIGNATURE OF RESPONSIBLE PARTY

Senior Vice President/Chief Financial Officer

TITLE

David R. Gibson

PRINTED NAME OF RESPONSIBLE PARTY

September 29, 1997

DATE

OFFICE OF THE U.S. TRUSTEE - REGION 3

ATTACHMENT

For the month ended August 31, 1997

Debtor Name: **MobileMedia Corporation et al.**

Case Number: **97-174 (PJW)**

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1. Payroll tax filings and payments are made by Automated Data Processing, Inc. (an outside payroll processing company). Evidence of tax payments are available upon request. Previously, the Debtors filed copies of such evidence for the third quarter of 1996 with the US Trustee.

   Please see the Status of Post Petition Taxes attached hereto for the month's activity.

2. The Debtors have 63 bank accounts. In order to minimize costs to the estate, the Debtors have included a GAAP basis Statement of Cash Flows in the Monthly Operating Report. The Statement of Cash Flows replaces the listing of cash receipts and disbursements, copies of the bank statements, and bank account reconciliations.

OFFICE OF THE U.S. TRUSTEE - REGION 3
.. CONDENSED CONSOLIDATED
STATEMENT OF OPERATIONS
For the month ended August 31, 1997

Debtor Name: **MobileMedia Corporation et al.**

Case Number: **97-174 (PJW)**

See Statement of Operations for reporting period attached.

HEADNOTES:

These financial statements have not been prepared in accordance with GAAP because Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets, to be Disposed of" ("SFAS 121") has not been applied. Upon the application of SFAS 121, the Company expects to be required to write down the carrying value of its long-lived assets to their fair value. The Company believes the amount of the write-down will be material; however, it is not possible at this time to determine such amount. There may also be adjustments to certain other accounts as a result of the Debtors' filing for protection under Chapter 11 of the US Bankruptcy Code on January 30, 1997.

(1) The Company has reduced Paging Revenues to reflect the recording of an allowance for estimated disparities between system recorded revenues and cash collections in the amounts of $2.2, $2.0 and $2.0 million in the months of August, July and June, respectively.

MobileMedia Corporation and Subsidiaries
Consolidated Statements of Operations
For the Months Ended August 31, 1997, July, 31, 1997 and June 30, 1997
(Unaudited)
(in thousands)

	August 1997	July 1997	June 1997
Paging Revenues			
Service, Rents & Maintenance (1)	$40,387	$41,481	$40,987
Equipment Sales			
Product Sales	3,388	4,055	2,650
Cost of Products Sold	3,512	4,333	2,634
Equipment Margin	(124)	(278)	16
Net Revenue	40,263	41,203	41,003
Operating Expense			
Service, Rents & Maintenance	12,165	12,992	12,413
Selling	5,409	6,019	5,537
General & Administrative	14,560	15,053	15,213
Operating Expense Before Depr. & Amort.	32,134	34,063	33,163
EBITDA Before Reorganization Costs	8,129	7,139	7,840
Reorganization Costs	1,320	1,784	2,281
EBITDA after Reorganization Costs	6,809	5,355	5,559
Depreciation	8,761	8,334	9,292
Amortization	9,245	9,246	9,232
Total Depreciation and Amortization	18,007	17,580	18,523
Operating Loss	(11,198)	(12,225)	(12,964)
Interest Expense	5,379	5,465	4,957
Other Expense	(1)	0	(0)
Loss Before Income Tax Benefit	(16,576)	(17,690)	(17,921)
Income Tax Benefit	0	0	0
Net Loss	($16,576)	($17,690)	($17,921)

See Accompanying Notes.

OFFICE OF THE U.S. TRUSTEE - REGION 3
CONDENSED CONSOLIDATED BALANCE SHEET
For the month ended August 31, 1997

Debtor Name: **MobileMedia Corporation et al.**

Case Number: **97-174 (PJW)**

See balance sheet attached.

HEADNOTES:

These financial statements have not been prepared in accordance with GAAP because Statement of Financial Accounting Standards No.121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets, to be Disposed of" ("SFAS 121") has not been applied. Upon the application of SFAS 121, the Company expects to be required to write down the carrying value of its long-lived assets to their fair value. The Company believes the amount of the write-down will be material; however, it is not possible at this time to determine such amount. There may also be adjustments to certain other accounts as a result of the Debtors' filing for protection under Chapter 11 of the US Bankruptcy Code on January 30, 1997.

MobileMedia Corporation and Subsidiaries
Consolidated Balance Sheets
As of August 31, 1997, July 31, 1997 and June 30, 1997
(Unaudited)
(in thousands)

	August 1997	July 1997	June 1997
Assets:			
Current Assets:			
Cash	$4,157	$3,468	$4,059
Accounts Receivable, Net	61,161	60,063	60,834
Inventory	4,658	5,395	6,576
Prepaid Expenses	1,217	1,279	1,130
Other Current Assets	2,778	2,798	2,755
Total Current Assets	73,971	73,004	75,353
Noncurrent Assets:			
Property and Equipment, Net	286,188	293,194	296,429
Deferred Financing Fees, Net	25,154	25,708	26,261
Investment In Net Assets Of Equity Affiliate	1,949	2,024	2,001
Intangible Assets, Net	1,045,337	1,054,546	1,063,963
Other Assets	792	876	919
Total Noncurrent Assets	1,359,420	1,376,348	1,389,574
Total Assets	$1,433,390	$1,449,352	$1,464,927
Liabilities and Stockholders' Equity:			
Liabilities Not Subject to Compromise:			
DIP Credit Facility	$17,000	$15,000	$15,000
Accrued Reorganization Costs	5,382	5,511	5,871
Accrued Wages, Benefits and Payroll Taxes	12,319	11,713	6,313
Accounts Payable - Post Petition	5,433	3,939	9,266
Accrued Interest (Chase & DIP Facilities)	4,595	4,621	4,465
Accrued Expenses and Other Current Liabilities	43,425	46,493	35,065
Advance Billings and Customer Deposits	36,210	37,785	37,331
Total Liabilities Not Subject To Compromise	124,364	125,061	113,311
Liabilities Subject to Compromise:			
Accrued Wages, Benefits and Payroll Taxes	3,093	3,093	6,420
Chase Credit Facility	649,000	649,000	649,000
Notes Payable - 10 1/2%	174,125	174,125	174,125
Notes Payable - 9 3/8%	250,000	250,000	250,000
Notes Payable - Yampol	986	986	986
Notes Payable - Dial Page 12 1/4%	1,570	1,570	1,570
Accrued Interest On Notes Payable	20,751	20,761	20,761
Accounts Payable- Pre Petition	17,181	15,822	16,060
Accrued Expenses and Other Current Liabilities - Pre Petition	12,929	12,926	18,955
Other Liabilities	4,973	5,013	5,056
Total Liabilities Subject To Compromise	1,134,608	1,133,297	1,142,934
Deferred Tax Liability	72,097	72,097	72,097
Stockholders' Equity			
Class A Common Stock	39	39	39
Class B Common Stock	2	2	2
Additional Paid-In Capital	671,459	671,459	671,459
Accumulated Deficit - Pre Petition	(437,127)	(437,127)	(437,127)
Accumulated Deficit - Post Petition	(125,929)	(109,354)	(91,665)
Total Stockholders' Equity	108,445	125,020	142,708
Less:			
Treasury Stock	(6,123)	(6,123)	(6,123)
Total Stockholders' Equity	102,322	118,897	136,585
Total Liabilities and Stockholders' Equity	$1,433,390	$1,449,352	$1,464,927

See Accompanying Notes

***Footnotes to the Financial Statements*:**

1. These financial statements have not been prepared in accordance with GAAP because Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets, to be Disposed Of" ("SFAS 121") has not been applied. Upon the application of SFAS 121, the Company expects to be required to write down the carrying value of its long-lived assets to their fair value. The Company believes the amount of the write-down will be material; however, it is not possible at this time to determine such amount. There may also be adjustments to certain other accounts as a result of the Debtors' filing for protection under Chapter 11 of the US Bankruptcy Code on January 30, 1997.

In March 1995, the Financial Accounting Standards Board issued SFAS 121, which is effective for financial statements for fiscal years beginning after December 15, 1995. Under certain circumstances, SFAS 121 requires companies to write down the carrying value of long-lived assets recorded in the financial statements to the fair value of such assets. A significant amount of the assets of the Company, which were acquired as a result of the acquisitions of businesses, including the Dial Page and MobileComm acquisitions, were recorded in accordance with principles of purchase accounting at acquisition prices and constitute long-lived assets. The Company has determined, and its independent auditors have concurred, that SFAS 121 is applicable to the Company, and therefore the Company expects to be required to write down the carrying value of its long-lived assets to their fair value. The Company believes the amount of the write down will be material: however, it is not possible at this time to determine such amount. Since the Company cannot comply with SFAS 121 at this time, it is unable to issue audited financial statements in compliance with generally accepted accounting principles. Consequently, the Company will not file its Report on Form 10-K or its other periodic reports under the Securities Exchange Act of 1934, as amended.

Footnotes to the Financial Statements (continued):

2. On January 30, 1997 (the "Filing Date"), MobileMedia Corporation (the "Company"), MobileMedia Communications, Inc. ("MobileMedia Communications") and all seventeen of MobileMedia Communications' subsidiaries filed for protection under Chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors are operating as debtors-in-possession and are subject to the jurisdiction of the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

   The Court has authorized the debtors to pay certain pre-petition creditors. These permitted pre-petition payments include: (i) employee salary and wages; (ii) certain employee benefits and travel expenses; (iii) certain amounts owing to essential vendors; (iv) trust fund type sales and use taxes; (v) trust fund payroll taxes; (vi) customer refunds; and (vii) customer rewards.

3. Since the Filing Date, the Debtors have continued to manage their business as debtors-in-possession under sections 1107 and 1108 of the Bankruptcy Code. During the pendency of the Chapter 11 cases, the Bankruptcy Court has jurisdiction over the assets and affairs of the Debtors, and their continued operations are subject to the Bankruptcy Court's protection and supervision. The Debtors have sought, obtained, and are in the process of applying for, various orders from the Bankruptcy Court intended to stabilize and reorganize their business and minimize any disruption caused by the Chapter 11 cases.

4. The Company has reduced Paging Revenues to reflect the recording of an allowance for estimated disparities between system recorded revenues and cash collections in the amounts of $2.2, $2.0 and $2.0 million for the months of August, July and June, respectively.

5. During the month of February 1997, the Debtors drew down $45 million of borrowings under the debtor-in-possession financing facility (the "DIP facility") with The Chase Manhattan Bank, as agent for the lenders thereunder (the "DIP Lenders"). During the months of March and April 1997, the Debtors repaid $25 million and $5 million, respectively, of borrowings under the DIP facility. During the month of August, the Debtors drew down an additional $2 million under the DIP facility.

6. The Company is one of the largest paging companies in the U.S., with approximately 3.7 million system reported units in service at August 31, 1997, and offers local, regional and national paging services to its subscribers. The Company estimates it will remove approximately 0.2 million units included above, for which payment is delinquent. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The Company's business is conducted primarily through the Company's principal operating subsidiary, MobileMedia Communications, and its subsidiaries. The Company markets its services primarily under the "MobileComm" brand name. All significant intercompany accounts and transactions have been eliminated.

7. As previously announced in its September 27, 1996 and October 21, 1996 releases, the Company discovered misrepresentations and other violations which occurred during the licensing process for as many as 400 to 500, or approximately 6% to 7%, of its approximately 8,000 local transmission one-way paging stations. The Company caused an investigation to be conducted by its outside counsel, and a comprehensive report regarding these matters was provided to the Federal Communications Commission (the "FCC") in the fall of 1996. In cooperation with the FCC, outside counsel's investigation was expanded to examine all of the Company's paging licenses, and the results of that investigation were submitted to the FCC on November 8, 1996. As part of the cooperative process, the Company also proposed to the FCC that a Consent Order be entered which would result, among other things, in the return of certain local paging authorizations then held by the Company, the dismissal of certain pending applications for paging authorizations, and the voluntary acceptance of a substantial monetary forfeiture.

   On January 13, 1997, the FCC issued a Public Notice relating to the status of certain FCC authorizations held by the Company. Pursuant to the Public Notice, the FCC announced that it had (i) automatically terminated approximately 185 authorizations for paging facilities that were not constructed by the expiration date of their construction permits and remained unconstructed, (ii) dismissed approximately 94 applications for fill-in sites around existing paging stations (which had been filed under the so-called "40-mile rule") as defective because they were predicated upon unconstructed facilities and (iii) automatically terminated approximately 99 other authorizations for paging facilities that were constructed after the expiration date of their construction permits. With respect to the approximately 99 authorizations where the underlying station was untimely constructed, the FCC granted the Company interim operating authority subject to further action by the FCC.

   On April 8, 1997, the FCC adopted an order commencing an administrative hearing into the qualification of the Company to remain a licensee. The order directed an Administrative Law Judge to take evidence and develop a full factual record on directed issues concerning the Company's filing of false forms and applications. The Company was permitted to operate its licensed facilities and provide service to the public during the pendency of the hearing.