I. INTRODUCTION

A. General Background

MobileMedia Corporation, a Delaware corporation ("MobileMedia"), MobileMedia Communications, Inc., a Delaware corporation ("Communications"), and the subsidiaries of Communications listed on the cover page, as debtors and debtors-in-possession (the "Debtors"), transmit this Disclosure Statement (the "Disclosure Statement") pursuant to section 1125(b) of title 11, United States Code, 11 U.S.C. §§ 101 et seq. (the "Code"), to all known impaired creditors of the Debtors in connection with the solicitation of their acceptance of the Debtors' Joint Plan of Reorganization dated January 27, 1998 (the "Plan"). A copy of the Plan, which has been filed with the Clerk of the Bankruptcy Court, is annexed hereto and made a part hereof as Exhibit A. (Capitalized terms not defined herein have the meanings ascribed to them in the Plan unless otherwise noted.)

The Debtors' bankruptcy cases under chapter 11 of the Code (the "Cases") are currently pending before the Honorable Peter J. Walsh, United States Bankruptcy Judge for the District of Delaware (the "Bankruptcy Court"). Chapter 11 is the principal business reorganization chapter of the Code. Under chapter 11 of the Code, a debtor is authorized to reorganize its business for the benefit of its creditors and stockholders. In addition to permitting rehabilitation of the debtor, another goal of chapter 11 is to promote equality of treatment of creditors and equity security holders of equal rank with respect to the restructuring of debt. In furtherance of these two goals, upon the filing of a petition for reorganization under chapter 11, section 362(a) of the Code generally provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the debtor's case under chapter 11. Recognizing that negotiation plays a central role in the reorganization process, section 1102 of the Code provides for the establishment of a creditors' committee to aid in the negotiation process. An official committee of unsecured creditors (the "Committee") in the Cases was appointed by the United States Trustee for the District of Delaware on February 10, 1997.

Confirmation and consummation of a plan of reorganization are the principal objectives of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against, and interests in, a debtor. Confirmation of a plan requires, among other things, the affirmative vote of creditors holding at least two-thirds in total dollar amount and more than one-half in number of the allowed claims in each impaired class of claims that have voted on the plan, and two-thirds in amount of equity interests in each impaired class of interests that voted on the plan. Section 1129(b) of the Code -- commonly referred to as the "cramdown" provision -- permits confirmation of a plan over the objection of an impaired class under certain circumstances. Confirmation of a plan of reorganization by a bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity security holder of the debtor. Subject to certain limited exceptions, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

The Plan contemplates an internal reorganization of the Debtors pursuant to which existing creditors of the Debtors will receive cash, debt securities, equity securities, or, in some cases, a combination of these items. As described below, the Plan also reflects a corporate restructuring of the Debtors. The Debtors believe the Plan complies with all requirements of the Code and provides the best available recovery to creditors and equity security holders. The Debtors urge all impaired creditors to vote to accept the Plan.

B. The Debtors; Events Leading up to the Filings

The Debtors operate one of the largest paging companies in the United States, with approximately 3.5 million units in service as of December 31, 1997. Through their sales offices, nationwide retail distribution network, company-operated retail stores and resellers, the Debtors offer local, regional and national coverage to subscribers in all 50 states and the District of Columbia, including local coverage to each of the 100 most populated metropolitan markets in the United States. The Debtors market their services primarily under the MobileComm® brand name. MobileMedia, a public company, is the ultimate parent company of all the Debtors, and the direct parent of Communications.[1] The Debtors' business is conducted primarily through Communications. Communications and various subsidiaries of Communications hold the Federal Communications Commission ("FCC") licenses and, where applicable, state public utility commission authorizations that grant the Debtors the authority to operate their paging systems.

The Debtors distribute their paging services using three primary distribution channels: direct, reseller and retail. These three channels are described below. The Debtors' paging and wireless messaging services consist principally of numeric and alphanumeric paging services. As of December 31, 1997, the Debtors had approximately 2.9 million numeric units in service, representing approximately 82% of their subscriber base, approximately 0.6 million alphanumeric units in service, representing approximately 17% of their subscriber base, with other types of units in service representing the remaining approximately 1% of their subscriber base.

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[1] MobileMedia also has five direct and indirect wholly owned non-debtor subsidiaries, Proximity Communications Manager, Inc. (formerly named Locate Manager, Inc.), Proximity Communications, Inc. (formerly named Local Area Telecommunications, Inc.), Locate-1, Inc., Proximity Communications, L.L.C. (formerly named Locate L.L.C.) and Personal Communication Network Services of New York, Inc. (collectively, the "Locate Entities"). The Locate Entities are no longer doing business and are intended to be wound up. See Section II.A.1.(e).

Beginning in 1995, MobileMedia grew its business primarily through acquisitions. In August, 1995, the Debtors completed the acquisition of the paging and wireless messaging business of Dial Page, Inc. ("Dial Page"); in January 1996, the Debtors completed the acquisition of Mobile Communications Corporation of America ("MCCA"), the paging and wireless messaging unit of BellSouth Corporation.

During 1996, the Debtors experienced difficulties executing their post-acquisition business strategy. These difficulties related largely to the process of integration of the operations of Dial Page and MobileComm into those of MobileMedia. As a result, the Debtors did not achieve expected growth in their subscriber base and revenues, nor did they realize anticipated efficiencies and cost reductions from the elimination of duplicative functions.

During 1996, the Debtors' financial position deteriorated. As of September 30, 1996, Communications was in violation of certain financial covenants under its $750 million senior secured credit agreement (as amended, the "1995 Credit Agreement"), which resulted in the occurrence of "Events of Default" under the 1995 Credit Agreement and precluded Communications from borrowing additional funds thereunder. Communications' obligations under the 1995 Credit Agreement are guaranteed by MobileMedia and by all the subsidiaries of Communications. In the fall of 1996, the Debtors commenced negotiations with The Chase Manhattan Bank, the agent (the "Pre-Petition Agent") for the lenders (the "Pre-Petition Lenders") under the 1995 Credit Agreement, regarding the terms of a possible financial restructuring.

In press releases issued on September 27 and October 21, 1996, the Debtors disclosed their discovery that misrepresentations had been made to the FCC and that other violations had occurred during the licensing process for as many as 400 to 500 authorizations, or approximately 6% to 7%, of their approximately 8,000 local transmission one-way paging stations. The Debtors caused an investigation to be conducted by their outside counsel, and a comprehensive report regarding these matters was provided to the FCC on October 15, 1996. The results of an expanded investigation were submitted to the FCC on November 8, 1996. As discussed below, the Debtors are still in the process of resolving these issues with the FCC.

In November and December of 1996, the Debtors sought to modify payment terms with certain of their larger vendors, some of which had not been paid in accordance with their scheduled payment terms. In the fall of 1996, Motorola, Inc. ("Motorola"), the Debtors' largest supplier of pagers and pager repair parts, informed the Debtors that it would require credit support to assure payment of approximately $35 million past due accounts payable and would refuse to accept orders for products or services from, and refuse to make shipments to, the Debtors pending resolution of the matter. Subsequently, Glenayre Electronics, Inc. ("Glenayre"), the Debtors' primary supplier of paging terminals, transmitters and related parts, and NEC America Inc. ("NEC") and Panasonic Communications & Systems Company ("Panasonic" and, together with Motorola, Glenayre and NEC, the "Key Suppliers"), the Debtors' secondary suppliers of pagers, also made demands on the Debtors for payment of their past due accounts in the aggregate amount of $11.8 million.

On November 1, 1996, the Debtors failed to make a scheduled interest payment of approximately $11.8 million on their 9⅜% Senior Subordinated Notes due November 1, 2007 (the "9⅜% Notes"), which failure was not cured during the thirty day grace period ending November 30, 1996. In addition, in December 1996 and January 1997, the Debtors failed to make scheduled interest payments in the aggregate amount of approximately $13.4 million under the 1995 Credit Agreement.

Negotiations between the Debtors and the Pre-Petition Lenders, the holders of the 9⅜% Notes and certain other outstanding notes (collectively, the "Notes") and with the Key Suppliers continued through late 1996. When it became apparent that the Debtors would be unable, among other things, to reach agreements with the Key Suppliers to resume shipments of critical inventory and equipment or to reach agreement with the Pre-Petition Lenders and the holders of the Notes on the terms of a restructuring of their indebtedness outside of chapter 11, the Debtors concluded that they had no practical alternative other than to seek protection under chapter 11 of the Code.

On January 30, 1997 (the "Petition Date"), each of the Debtors filed a voluntary petition for reorganization under chapter 11 of the Code with the Bankruptcy Court. During the Cases, the Debtors' management has continued to manage the operations and affairs of the Debtors as debtors-in-possession under the jurisdiction of the Bankruptcy Court.

C. The Disclosure Statement: Voting Requirements

[This Disclosure Statement has been approved by the Bankruptcy Court pursuant to an order dated ___________, 1998 (the "Disclosure Statement Approval Order") as containing information of a kind and in sufficient detail to enable a hypothetical, reasonable investor typical of the holders of impaired Claims to make an informed judgment with respect to voting to accept or reject the Plan. A copy of the Disclosure Statement Approval Order is attached hereto as Exhibit B.] This Disclosure Statement is being transmitted in connection with the Plan to provide adequate information to enable holders of Claims entitled to vote on the Plan ("Voting Claims") to make an informed judgment with respect to such vote.

APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF ANY OF THE REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT OR IN THE PLAN, NOR DOES IT CONSTITUTE AN ENDORSEMENT OF THE PLAN ITSELF.

EACH HOLDER OF A VOTING CLAIM SHOULD CAREFULLY REVIEW THE MATERIAL SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS HERETO IN ORDER TO MAKE AN INDEPENDENT DETERMINATION AS TO WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. IN ADDITION, ALTHOUGH THE DEBTORS HAVE MADE EVERY EFFORT TO BE ACCURATE HEREIN, EACH HOLDER OF A VOTING CLAIM SHOULD APPROPRIATELY REVIEW THE ENTIRE PLAN AND THE EXHIBITS THERETO BEFORE CASTING A BALLOT.

Accompanying this Disclosure Statement are:

1. A copy of the Plan (attached hereto as Exhibit A);

2. A copy of the Disclosure Statement Approval Order (attached hereto as Exhibit B);

3. A ballot for accepting or rejecting the Plan by the holders of Voting Claims (the "Ballot"); and

4. The notice approved by the Bankruptcy Court which, among other things, fixes the time for:

(a) returning Ballots reflecting acceptances and rejections of the Plan;

(b) the hearing on confirmation of the Plan (the "Confirmation Hearing"); and

(c) filing objections to confirmation of the Plan.

Holders of impaired Claims in Classes 4, 5, 6 and 7 are entitled to vote on the Plan. TO BE COUNTED, YOUR VOTE MUST BE RECEIVED ON OR BEFORE 5:00 P.M. (NEW YORK CITY TIME) ON ____________________, 1998 (THE "VOTING DEADLINE"). Signed Ballots should be sent by the Voting Deadline by hand delivery, first class mail postage prepaid or recognized overnight courier to:

Bankruptcy Services, Inc.
70 E. 55th Street, 6th Floor
New York, NY 10022-3222
Attention: Kathy Gerber

Ballots received by facsimile will not be counted.

D. Sources of Information

The information contained in this Disclosure Statement was derived from (i) the Debtors' books and records (such as their general purpose financial statements, books of account and corporate records), (ii) their public filings and (iii) consultations with the Debtors' officers, senior management, key personnel and various of their outside professionals, including accounting and financial advisors.

E. Summary of the Plan

The following Plan summary is qualified in its entirety by reference to the Plan and to the more detailed description of provisions for the Classes created under the Plan set forth in Section IV, "Summary of the Plan of Reorganization". This Disclosure Statement is only a summary of the terms of the Plan. It is the Plan and not the Disclosure Statement that governs the rights and obligations of the parties.

1. General Terms of the Plan of Reorganization.

The Plan proposes a reorganization of the Debtors under which certain of the Debtors will be merged with and into the Debtors that are being reorganized thereunder (the surviving Debtors, as so reorganized on and after the Effective Date, the "Reorganized Debtors"). The Reorganized Debtors will continue in existence as operating companies and will emerge from bankruptcy with a revised corporate structure, a restructured balance sheet and substantial changes in existing equity ownership.

Under the Plan, the Debtors are being treated as one entity for the purpose of claims made against them and distributions made by them under the Plan. The Plan also contemplates the elimination of all intercompany claims between and among the Debtors. As discussed in Section II.B.4.(c), the Debtors filed joint Schedules of Assets, Liabilities and Executory Contracts, and a joint Statement of Financial Affairs. Moreover, under the order entered by the Bankruptcy Court directing certain creditors to file proofs of claim, a claim filed against one Debtor was deemed filed against all of the Debtors.

In connection with the Debtors' reorganization pursuant to chapter 11, the Debtors' FCC licenses will be transferred to the Reorganized Debtors on the Effective Date of the Plan. As discussed in Section II.A.8.(a), such transfers will require the approval of the FCC pursuant to a doctrine known as Second Thursday. Such approval, if granted, will terminate the pending proceedings regarding the Debtors' qualification to remain an FCC licensee. The reorganization of the Debtors and the transfer of various state authorizations may also require the approval of state regulatory authorities. Obtaining any such necessary, material approvals is a condition to the effectiveness of the Plan.

The Pre-Petition Agent and the Steering Committee for the Pre-Petition Lenders support the Plan, will vote to accept the Plan (in the form filed with the Bankruptcy Court on January 27, 1998) and will recommend to the remaining Pre-Petition Lenders that they vote to accept the Plan.

2. Classification and Treatment of Claims and Interests.

The Plan provides for separate classes of Claims and Interests (individually, a "Class" and collectively, the "Classes"). The following chart provides a summary of the classification and treatment of the Classes under the Plan. Certain holders of Claims and

Interests will be impaired under the Plan, while other holders of Claims will be unimpaired. As discussed in Section X.C.2., "impairment" is a technical concept under the Code that refers to any change in the contractual or other rights of a creditor or interest holder. Only the holders of Claims and Interests that are impaired under the Plan and are receiving distributions under the Plan are entitled to vote on the Plan.

Summary Chart of Claims and Interests[2]

Class	Description	Estimate of Aggregate Allowed Claim or Interest Amount (as of Petition Date)	Treatment
N/A	Administrative Claims		Paid in full in cash
N/A	Priority Tax Claims		Paid in full in cash or over time under 1129(a)(9)(C)
	Priority Claims		Paid in full in cash
2	Misc. Secured Claims		Unimpaired
3	Customer Refund Claims		Unimpaired
4	Secured Claims under 1995 Credit Agreement		Reorganized MobileMedia Notes and Reorganized MobileMedia Class A Shares
5	Dial Page Notes		Reorganized MobileMedia Common Shares, Reorganized MobileMedia Warrants and Reorganized MobileMedia Rights
6	Subordinated Note Claims [IF CLASS ACCEPTS]		Reorganized MobileMedia Common Shares Reorganized MobileMedia Warrants and Reorganized MobileMedia Rights
	Subordinated Note Claims [IF CLASS REJECTS]		Reorganized MobileMedia Warrants and Reorganized MobileMedia Rights
7	Non-Priority Unsecured Claims		Cash recovery equal to percentage recovery Class 6 would receive if Class 6 accepts
8	Note Litigation Claims		No distribution
9	Common Stock Claims and Interests		No distribution
10	Subsidiary Claims and Interests		No distribution

3. Conditions to Effectiveness of the Plan.

The Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan. The Code imposes a number of voting and other requirements in order to confirm a plan. These Code requirements are described in Section X, "Conditions Precedent to Confirmation of the Plan under the Code".

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2 The estimates set forth in this table are for descriptive purposes only, and shall not constitute an admission as to the Debtors' obligations with respect to any such Claim or Interests.

The Plan also provides for conditions to the occurrence of the Effective Date of the Plan that are set forth in Section V, "Conditions to Effectiveness of the Plan". The list that follows is qualified by reference to the Plan and to the more detailed description set forth in Section V. The Plan's conditions to the Effective Date are:

(a) That the Confirmation Order has been entered by the Bankruptcy Court, more than ten (10) days have elapsed since the Confirmation Date, no stay of the Confirmation Order is in effect and the Confirmation Order has not been reversed, modified or vacated;

(b) That the FCC has approved the transfer of the Debtors' FCC licenses pursuant to the Plan, thereby granting the Debtors' Second Thursday application, on terms that do not impair the feasibility of the Plan and that permit the Plan to be implemented and consummated, and that all necessary approvals of state regulatory authorities have been obtained, except where the failure to obtain any such approval would not have a material effect on the Reorganized Debtors' operations as described herein;

(c) That the Debtors' post-petition financing facility has been paid in full in cash; and

(d) That each of the Reorganized Debtors' post-Effective Date working capital facility and the Rights Agreement has been executed and is effective.

The conditions to the Effective Date can be waived as described in Section V.

4. Capital Structure and Governance of the Reorganized Debtors as of the Effective Date.

Under the Plan, Reorganized MobileMedia will issue $150 million in aggregate principal amount of senior, unsecured Reorganized MobileMedia Notes to holders of Allowed Claims in Class 4. The only other borrowed money indebtedness of the Reorganized Debtors as of the Effective Date will be amounts outstanding under the Reorganized Debtors' New Credit Agreement, which will provide availability to make payments required to be made under the Plan and will provide ongoing working capital for the Reorganized Debtors.

On the Effective Date, Reorganized MobileMedia will be authorized by the Reorganized MobileMedia Certificate of Incorporation to issue three classes of shares, consisting of Reorganized MobileMedia Common Shares, Reorganized MobileMedia Class A Shares and Reorganized MobileMedia Class B Shares. Only two classes of Reorganized MobileMedia Capital Shares will be issued on the Effective Date -- Reorganized MobileMedia Class A Shares, which will be issued to the holders of Allowed Class 4 Claims under the Plan and which are redeemable or convertible under certain circumstances, and Reorganized MobileMedia Common Shares, which will be issued to the holders of Allowed Class 5 Claims and, if Class 6 accepts the Plan, to holders of Allowed Class 6 Claims under the Plan.

In addition, on the Effective Date, Reorganized MobileMedia will issue the Reorganized MobileMedia Rights to the holders of Allowed Claims in Classes 5 and 6. The Reorganized MobileMedia Rights entitle the holders thereof to purchase, during a 55-day exercise period beginning on the Effective Date, Reorganized MobileMedia Class B Shares. Reorganized MobileMedia Class B Shares are non-voting shares that convert automatically to Reorganized MobileMedia Common Shares upon the delivery to Reorganized MobileMedia of opinions confirming that certain approvals (including FCC approval) have been obtained or are not required. Upon exercise of Reorganized MobileMedia Rights and the issuance of Reorganized MobileMedia Class B Shares, Reorganized MobileMedia will use the proceeds received from the rights exercised to redeem Reorganized MobileMedia Class A Shares. If less than 100% of the Reorganized MobileMedia Rights are exercised, the Reorganized MobileMedia Class A Shares will be redeemed on a pro rata basis, and any Reorganized MobileMedia Class A Shares outstanding after such redemption will convert automatically to Reorganized MobileMedia Common Shares. If all the Reorganized MobileMedia Rights were effectively exercised (including receipt of any necessary No Action Opinions and Favorable HSR Opinions) and, as a result, all of the Reorganized MobileMedia Class A Shares were redeemed, then the holders of Allowed Claims in Classes 5 and 6 (assuming that the Reorganized MobileMedia Rights were not traded by the holders thereof in the interim) would own 100% of the Reorganized MobileMedia Capital Shares and holders of Allowed Class 4 Claims will receive 100% of the proceeds from the exercise of the Reorganized MobileMedia Rights, the total amount of which will be equal the aggregate amount of Allowed Class 4 Claims minus the aggregate principal amount of the Reorganized MobileMedia Notes.

In addition, on the Effective Date, Reorganized MobileMedia has authority to issue the Reorganized MobileMedia Warrants. The Reorganized MobileMedia Warrants will entitle the holders thereof to purchase an aggregate of _______ Reorganized MobileMedia Common Shares (at a price of $35 per Reorganized MobileMedia Common Share), or 16.5% of the aggregate number of outstanding Reorganized MobileMedia Capital Shares on a fully-diluted basis (after giving effect to the issuance of 20 million Reorganized MobileMedia Capital Shares on the Effective Date and assuming the full exercise of the Reorganized MobileMedia Warrants). Of the Reorganized MobileMedia Warrants, _____% will be issued to the holders of Allowed Claims in Classes 5 and 6 on the Effective Date

The Plan further contemplates a corporate restructuring of the Debtors under which all of the operating assets of the Debtors will be combined in a single corporation by merging all of the direct and indirect subsidiaries of Communications into MCCA, which, as reorganized under the Plan, will be a wholly owned subsidiary of Reorganized Communications. Reorganized Communications will, in turn, be a wholly owned subsidiary of Reorganized MobileMedia. In addition, a new limited liability company, License Co. L.L.C., will be created as a wholly owned subsidiary of Reorganized MCCA.

After the Effective Date, Reorganized MobileMedia will be managed by a board of directors selected by representatives of Class 4, as discussed more fully in Section III.B., "Composition of Management and Directors of the Reorganized Debtors", and will be governed by the Reorganized MobileMedia Certificate of Incorporation.

II. DESCRIPTION OF THE DEBTORS

A. Background Information Regarding the Debtors

The following information provides a brief summary of the business of the Debtors. More complete information about the business of the Debtors is contained in the Debtors' 1995 Annual Report on Form 10-K for the year ended December 31, 1995, and the Debtors' Quarterly Reports on Form 10-Q for the quarters ended March 31, 1996, June 30, 1996, and September 30, 1996, as filed with the Securities and Exchange Commission (collectively, the "SEC Reports").[3] Copies of the SEC Reports are attached hereto as Exhibit C. In addition, since the Petition Date, the Debtors have filed Monthly Operating Reports with the Office of the United States Trustee for the District of Delaware (the "Operating Reports"), and have filed a copy of each Operating Report with the SEC, as an exhibit to a Current Report on Form 8-K. A copy of the Operating Report for the month of __________ is attached hereto as Exhibit D.

1. Overview of the Debtors' History and Operations.

(a) *The MTI Acquisition.* The Debtors' business originally derives from the paging business formed by MetroMedia Telecommunications, Inc. through numerous acquisitions in the 1980's. In 1987, SBC Communications, Inc. ("SBC"), formerly Southwestern Bell Corporation, acquired MetroMedia Telecommunications, Inc. ("MTI") and continued to operate the paging business under the "MetroMedia" name.

On December 30, 1992, Local Area Telecommunications, Inc. ("Locate") entered into a stock purchase agreement (the "MTI Purchase Agreement") to acquire the stock of MTI from SBC for $308 million, subject to certain adjustments (the "MTI Acquisition").

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3 Because MobileMedia was unable to comply with certain accounting requirements and, therefore, to issue audited financial statements in compliance with generally accepted accounting principles, it was unable to file its Report on Form 10-K for the year ending December 31, 1996 or its Report on Form 10-Q for the fiscal quarter ending March 31, 1997. Accordingly, MobileMedia was unable to comply with the continued listing requirements of the NASDAQ National Market ("NASDAQ") and, on June 3, 1997, MobileMedia voluntarily delisted its Class A Common Stock from the NASDAQ. Since the filing of the September 1996 Form 10-Q, MobileMedia has not filed any periodic reports under the Securities and Exchange Act of 1934, as amended, other than Current Reports on Form 8-K.

MobileMedia and the predecessor of Communications (the "Predecessor") were formed by Locate in September 1993 to effect the MTI Acquisition. Locate's rights under the MTI Purchase Agreement were contributed to MobileMedia in exchange for which MobileMedia issued 4,375,000 shares of Class B Common Stock to Locate, and MobileMedia's rights under the MTI Purchase Agreement were contributed to the Predecessor

In order to provide a portion of the financing for the MTI Acquisition, Locate and MobileMedia entered into a stock purchase agreement with Hellman & Friedman Capital Partners II, L.P. and certain other investors (collectively, the "H&F Investors"), dated as of October 11, 1993, as amended (the "H&F Purchase Agreement"). Pursuant to the H&F Purchase Agreement and concurrently with the consummation of the MTI Acquisition, MobileMedia sold to the H&F Investors for $150 million (i) 14,999,995 shares of Class A Common Stock of MobileMedia and (ii) warrants to purchase 456,283 shares of Class A Common Stock of MobileMedia at $.001 per share (the "H&F Investment"). The proceeds of the H&F Investment were contributed by MobileMedia to the Predecessor, and the Predecessor used such proceeds, the net proceeds from the issuance of $210,000,000 aggregate principal amount at maturity of 10½% Senior Subordinated Deferred Coupon Notes due December 1, 2003 (the "10½% Notes") and initial borrowings under a bank credit facility to pay the purchase price and transaction fees and expenses incurred in connection with the MTI Acquisition. Concurrently, the Predecessor merged with and into MTI, with the result that MTI became a wholly owned subsidiary of MobileMedia, and MTI was renamed "MobileMedia Communications, Inc." As a result of the MTI Acquisition, Communications had approximately 1.2 million units in service as of December 31, 1993.

(b) *The Dial Page Acquisition.* On August 31, 1995, Communications purchased the paging and wireless messaging business of Dial Page, Inc. (the "Dial Page Acquisition"). The purchase price of the Dial Page Acquisition was largely financed through an initial public offering of 8,800,000 shares of MobileMedia Class A Common Stock which, at a price to the public of $18.50 per share, generated net proceeds of approximately $151.9 million, which proceeds were contributed to Communications. The total purchase price of the Dial Page Acquisition was $187.4 million, which included the assumption of $85 million outstanding principal amount of the Dial Page 12¼% Senior Notes due 2000 (the "Dial Page Notes"). Concurrently with the transaction, Communications repurchased all but approximately $1.6 million of the Dial Page Notes. The Dial Page Acquisition added approximately 0.4 million units in service in the southeastern United States to Communications' subscriber base.

(c) *The MobileComm Acquisition.* On January 4, 1996, Communications purchased MCCA (the "MobileComm Acquisition"), the paging division of BellSouth Corporation ("BellSouth"), and an associated nationwide two-way narrowband 50/12.5 kHz PCS license. The purchase price for the MobileComm Acquisition was $928.7 million. The purchase price of the MobileComm Acquisition was financed by (i) MobileMedia's public offering of 15,525,000 shares of Class A Common Stock which, at a price to the public of $23.75 per share, generated net proceeds of approximately $354.9 million, of which $340 million was contributed by MobileMedia to Communications, (ii) a concurrent public offering by

Communications of $250 million aggregate principal amount at maturity of 9⅜% Notes and (iii) loan facilities aggregating $750 million, consisting of a $550 million secured term loan facility and a $200 million secured revolving loan facility (the "1995 Credit Facility"), evidenced by the 1995 Credit Agreement. Five hundred million dollars of the secured term loan facility was used as consideration for the MobileComm Acquisition. Fifty million dollars of the 1995 Credit Facility was used to repay Communications' former credit facility. The MobileComm Acquisition added approximately 1.7 million units in service to the Debtors' subscriber base.

(d) *Post-Acquisition Operations*. Since consummating the Dial Page Acquisition and the MobileComm Acquisition, the Debtors have experienced difficulties integrating the acquired businesses and have experienced serious financial difficulties. During 1996, the financial results of the Debtors were negatively impacted by the continuing costs and increased subscriber "churn" associated with the attempt to integrate the business operations of MobileComm and Dial Page with the preexisting business of the Debtors.[4]

Since the Petition Date, the Debtors have been engaged in restructuring their operations with the objective of improving performance, principally in the areas of order entry, billing and collections, inventory controls, management information systems conversion and customer service. The Debtors have also undertaken cost reduction analyses and have taken actions that have the objective of reducing telecommunications, subcontracting and lease expenses, among others. In addition, the Debtors have sought to refocus their marketing and sales efforts in an attempt to achieve unit additions consistent with positive cash flow, and are continuing to change their management structure with the objective of establishing profit and loss accountability in each market.

(e) *The Locate Entities*. As noted above, the Locate Entities are five subsidiaries of MobileMedia that ceased doing business in 1996 but that did not file bankruptcy petitions with the Debtors. The Locate Entities formerly operated as a competitive access provider, providing (i) local digital microwave distribution services and facilities to large corporations and to interexchange and other common carriers, and (ii) local, long distance and international switched services. The assets of the Locate Entities were sold in a series of transactions, culminating in a sale to WinStar Communications, Inc. ("WinStar") in October 1996 of substantially all the remaining assets of the Locate Entities in exchange for notes payable by WinStar in the principal amount of $17.5 million (the "WinStar Notes"). On April 7, 1997, WinStar paid the amounts owing on the WinStar Notes, except for certain amounts withheld to cover liabilities for New York City commercial rent taxes, New York State bulk sales taxes and certain property taxes.

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4 "Churn", typically measured on a monthly basis, is the percentage loss of a paging company's subscriber base. Because of the various expenses associated with churn, and because of the fact that it may be indicative of operational problems, it is highly desirable for a paging company to maintain a low churn rate.

MobileMedia believes that the liabilities of the Locate Entities exceed their assets. Since the Petition Date, MobileMedia has been working with officers of the Locate Entities (including Joseph A. Bondi, also a MobileMedia officer) to quantify potential liabilities against the Locate Entities. In particular, the Locate Entities are working with Ernst & Young, L.P., their outside accountants, to assess and establish an appropriate reserve for outstanding and potential tax liabilities, which the Locate Entities currently believe will be approximately $__ million. In addition to existing and potential tax claims, the Locate Entities are aware of the following creditors of the Locate Entities and their claimed amounts: (i) Hellman & Friedman Capital Partners II, L.P. ("Hellman & Friedman"), a significant shareholder of MobileMedia, for the principal amount of $7.3 million, plus $2.69 million of interest from February, 1995 through December 31, 1997, based on certain promissory notes executed by one of the Locate Entities in 1995; (ii) certain trusts of which G. Jeffrey Mennen is a trustee (collectively, "Mennen"), for the aggregate principal amount of $10 million, together with an unspecified amount of interest thereon (currently estimated to be approximately $3 million), based on promissory notes executed by one of the Locate Entities in 1994 (collectively "Mennen Claims"); (iii) R. Craig Roos, a former officer of the Locate Entities, for approximately $2.6 million, based on severance and related claims under an employment agreement; and (iv) Kenneth Curtin, a former officer of the Locate Entities, for approximately $1 million based on severance and related claims under an employment agreement. Hellman & Friedman asserts that its claims are senior to the Mennen Claims by virtue of a subordination agreement among Hellman & Friedman, Mennen and Locate. In addition, MobileMedia may have a claim for reimbursement against the Locate Entities in an amount yet to be determined.

To date, the Locate Entities have paid approximately $1.1 million to various taxing authorities and have made two interim distributions to their creditors (other than MobileMedia) in the aggregate amount of $718,479, as follows: Jerry McAndrews (no longer a creditor of the Locate Entities) -- $25,000; John Davenport (who is believed no longer to be a creditor of the Locate Entities) -- $2,216; Kenneth Curtin -- $191,263; R. Craig Roos -- $200,000; Mennen -- $150,000; and Hellman & Friedman -- $150,000. Such payments and interim distributions will reduce amounts ultimately to be distributed to such creditors. Substantially all of such interim distributions were made without prejudice to any rights of Locate LLC. Locate LLC expressly reserved its rights to dispute such claims of creditors, and substantially all of the interim distributions to creditors were made expressly subject to recovery if such claims are not ultimately established.

In addition, one of the Locate Entities is a named defendant in a lawsuit currently pending in New York Supreme Court relating to claims by two individuals seeking damages of $65 million for defamation and intentional infliction of emotional distress in connection with alleged false and defamatory statements transmitted over an electronic paging network. The Locate Entities believe that the plaintiffs' allegations are without merit and are vigorously defending the action.

Kensington & Ressler L.L.C. has been retained as outside counsel to assist management of the Locate Entities in resolving with its creditors all issues relating to the validity, extent and priority of their claims. It is currently anticipated that the Locate Entities will be liquidated in order to effect the allocation and distribution of assets to their creditors, which liquidation may be accomplished through a bankruptcy filing. Other than the known creditors named above, MobileMedia is not aware of any claims against the assets of the Locate Entities by any creditors of the Debtors.

2. <u>Networks and Licenses</u>.

(a) *General*. The Debtors operate local, regional and national paging networks. The Debtors' networks enable customers to receive pages over a broad geographical area. The extensive coverage provided by this network infrastructure provides the Debtors with an advantage over certain competitors whose networks lack comparable coverage in securing accounts with large corporate clients and retail chains, who frequently demand national network coverage from their paging service provider.

Although the Debtors' networks provide local, regional and national coverage, the Debtors' networks operate over numerous frequencies and are subject to some capacity constraints in certain geographic markets. The use of multiple frequencies adds complexity to inventory management, customer service and order fulfillment processes. Certain of the Debtors' networks utilize older technologies and are comparatively costlier to operate. Although the capacity of the Debtors' network infrastructure varies significantly market-by-market, customer usage of the Debtors' systems is close to capacity in several markets, thus limiting future growth in such markets in the absence of additional capital investment.

The Debtors are seeking to improve overall network efficiency through the deployment of new paging terminals, the consolidation of subscribers on fewer, higher capacity networks and increasing the transmission speed (baud rate) of certain of their existing networks. The Debtors believe their investments in their network infrastructure will facilitate and improve the delivery of high quality paging services while at the same time reducing associated costs of such services.

(b) *Nationwide wireless networks*. The Debtors operate two nationwide 900 MHz networks. As part of the MobileComm Acquisition, the Debtors acquired MCCA's fully operational nationwide wireless network (the "8875 Network"), which was upgraded in 1996 to incorporate high-speed FLEX™ technology developed by Motorola. In addition, in 1996, the Debtors completed the construction of a second nationwide network that uses FLEX™ technology (the "5375 Network"). The use of FLEX™ technology significantly increases transmission capacity and represents a marked improvement over other systems that use older paging protocols.

(c) *Nationwide two-way narrowband PCS networks*. Narrowband PCS networks enable paging companies to offer two-way paging services and to make more efficient use of radio spectrum than do non-PCS networks. The Debtors purchased five regional licenses through the FCC's 1994 auction of narrowband PCS licenses, providing the equivalent of a nationwide 50 kHz outbound/12.5 kHz inbound PCS system. In addition, as part of the MobileComm Acquisition, the Debtors acquired a second two-way narrowband PCS license for a nationwide 50 kHz outbound/12.5 kHz inbound system.

The Debtors have considered a variety of options with respect to their narrowband PCS licenses, namely (i) selling the licenses, (ii) constructing a narrowband PCS network and serving customers to the level required by the FCC to retain the licenses and deferring customer expansion to a commercial use level for several years (in the interim, the Debtors would resell narrowband PCS applications on other carriers' networks), and (iii) constructing their own narrowband PCS network. The Debtors do not believe it is in their interests to sell these licenses, in light of the licenses' potential commercial benefit to the Debtors and the price the Debtors believe they would obtain. As to the second option, in order to retain their narrowband PCS licenses, there are certain minimum build-out requirements. With respect to each of the regional PCS licenses purchased at the FCC's 1994 auction, the Debtors would be required to build out the related PCS system to cover 150,000 sq. km. or 37.5% of each of the five regional populations by April 27, 2000 and 300,000 sq. km. or 75% of each of the five regional populations by April 27, 2005. With respect to the nationwide PCS license acquired as part of the MobileComm Acquisition, the Debtors would be required to build out the related PCS system to cover 750,000 sq. km. or 37.5% of the U.S. population by September 29, 1999 and 1,500,000 sq. km. or 75% of the U.S. population by September 29, 2004. In each instance, the population percentage will be determined by reference to population figures at the time of the applicable deadline. The Debtors estimate that the costs of these minimum build-outs (which would not be sufficient for the Debtors to provide significant narrowband PCS applications) could be as much as approximately $9 million. The Debtors have concluded that, given the expected high demand for nationwide alphanumeric services, the potential demand for guaranteed receipt services and the Debtors' high fixed costs for maintaining and building out their existing networks, the most economical means for satisfying projected demand make it desirable for the Debtors to construct a fully operational narrowband PCS network with ReFLEX 25™ capability. The Debtors estimate that the cost for this construction will be approximately $38 million over the next two years, and that they will be able to complete the construction relatively economically using their existing nationwide network infrastructure and supplementing it with additional transmitters and with receivers.

3. Paging and Messaging Services and Products.

(a) *Paging and Messaging Services*. The Debtors currently offer a variety of paging and messaging services. To send a page to a subscriber of the Debtors, a party must initiate contact with a paging terminal. This is typically accomplished, depending on the type of paging service, by use of a touch-tone telephone, with the assistance of an operator employed by or working on behalf of the Debtors, or through software loaded onto the sender's personal computer, an input device or the internet. The paging terminal then sends an encoded message to the Debtors' transmitter network, which broadcasts the call to its geographic service area. This broadcast signal is received by the subscriber's pager, which decodes the information.

alerts the subscriber and displays the message received. The main paging services offered by the Debtors are:

- *Numeric (Digital Display) Paging Service.* Numeric paging service permits a caller, using a touch tone telephone, to transmit to a subscriber a numeric message consisting of a telephone number, an account number or coded information. Numeric pagers have memory capability to store several such numeric messages which can be recalled by a subscriber when desired. As of December 31, 1997, the Debtors had approximately 2.9 million numeric units in service.

- *Alphanumeric Paging Service.* Alphanumeric paging service allows subscribers to receive and store messages consisting of both letters and numbers. Alphanumeric pagers have sufficient memory to store numerous messages. This service has the capability to tie into computer-based networks to provide advanced messaging services. Callers may send messages either by using an operator dispatch center, a personal computer equipped with a modem and MessageSoft software or a portable alphanumeric input device, such as the AlphaMate™ manufactured by Motorola. Internet and WorldWide Web access is also possible for many alphanumeric paging customers. As of December 31, 1997, the Debtors had approximately 0.6 million alphanumeric units in service.

- *Other Services.* In addition to local, regional and nationwide paging service -- both numeric and alphanumeric -- the Debtors offer a variety of enhanced services such as voice mail and voice mail notification, e-mail notification and news, sports reports and stock quotes.

(b) *Products and Services.* Subscribers for paging services enter into a service contract with the Debtors that provides for either the purchase or lease of pagers and the payment of air time and other charges. As of December 31, 1997, approximately 50% of units in service were purchased either by subscribers or by resellers, and approximately 50% were owned by the Debtors and leased to subscribers. Customer-owned and -maintained pagers and those owned by resellers do not require capital investment by the Debtors, unlike Debtor-owned pagers leased to subscribers. The Debtors also sell their services in bulk quantities to resellers, who subsequently sell the Debtors' services to end-users. Resellers are responsible for sales, billing, collection and equipment maintenance costs.

The Debtors sell other products and services, including pagers and accessories and pager replacement and maintenance contracts.

4. Sales and Marketing.

(a) *General.* The Debtors' sales and marketing efforts are directed toward adding additional units with existing subscribers and identifying new potential subscribers. Subscribers to the Debtors' paging and wireless communications services generally have been individuals and organizations whose employees are highly mobile or whose business involves multiple work locations and who are required to remain in contact at all times. Traditional subscribers include medical personnel, sales and service organizations, specialty trade organizations, manufacturing organizations and governmental agencies. However, paging services are increasingly appealing to mass market consumers for private, non-business uses such as communicating with family and friends.

(b) *Sales Channels.* The Debtors market their paging services through three primary sales channels: direct, reseller and retail.

- *Direct.* In the direct channel, the Debtors lease or sell pagers directly to their customers and bill and service such customers. The Debtors' direct customers range from individuals and small- and medium-sized businesses to Fortune 500 accounts and government agencies. Business and government accounts typically exhibit lower churn rates than consumer accounts. The direct channel will continue to have the highest priority among the Debtors' marketing and sales efforts, given its critical contribution to recurring revenue and projected growth. The Debtors are engaging in efforts to improve sales productivity and strengthen their direct channel sales force, which suffered from high turnover and open positions during much of 1997. In addition, the Debtors intend to develop consumer direct marketing techniques for implementation beginning in 1998. As of December 31, 1997, the direct channel accounted for approximately 77% of recurring revenue.

- *Reseller.* In the reseller channel, the Debtors sell access to their transmission networks in bulk to a third party, who then resells such services to the end users (usually consumers or small businesses). The Debtors offer paging services to resellers at bulk discounted rates. The third party reseller provides customer service, is responsible for pager maintenance and repair costs, invoices the end user and retains the credit risk of the end user, although the Debtors retain the credit risk of the reseller. Because resellers are responsible for customer equipment, the capital costs that would otherwise be borne by the Debtors are reduced.

  The Debtors' resellers generally are not exclusive distributors of the Debtors' services and often resell paging services of more than one provider. Competition among service providers to attract and maintain reseller distribution is based primarily upon price, including the sale of pagers to resellers at discounted rates. Going forward, the Debtors intend to be an active participant in the reseller channel, but to concentrate on accounts that are profitable and where longer term partnerships can be established with selected resellers. As of December 31, 1997, the reseller channel accounted for approximately 11% of recurring revenue.

- *Retail.* In the retail channel, the Debtors sell pagers to retailers and, after the consumer purchases the pager from the retailer, the consumer contacts the Debtors to activate service. The retail channel is targeted at the consumer market and consists primarily of national retail chains. Consumers served by the retail channel typically purchase (as opposed to lease) paging units, reducing the Debtors' capital investment requirements in pagers. Subscribers obtained through retailers are billed and serviced directly by the Debtors. Retail distribution permits the Debtors to penetrate the consumer market by supplementing direct sales efforts. The Debtors currently have contracts with 17 national retail chains. As of December 31, 1997, the retail channel accounted for approximately 12% of recurring revenue.

5. Suppliers and Equipment Vendors.

The Debtors do not manufacture any of the pagers or related transmitting and paging terminal equipment used in their paging operations. The Debtors currently purchase pagers from a limited number of suppliers and in turn sell or lease the pagers to their subscribers. Motorola is the primary supplier of pagers to the Debtors. Glenayre is the Debtors' primary supplier of paging terminals, paging transmitters and voice mail system equipment. On February 6, 1997, the Debtors obtained Bankruptcy Court approval to pay the pre-petition outstanding accounts payable owing to their Key Suppliers, in exchange for which each of Motorola, NEC, Panasonic and Glenayre entered into post-petition supply agreements with the Debtors.

6. Competition.

(a) *Paging Services.* The paging industry is highly competitive with price being the primary means of differentiation among providers of paging services. In addition, companies in the paging industry compete on the basis of coverage area offered to subscribers, service offerings beyond basic paging services, transmission quality, system reliability and customer service. The Debtors compete by providing high-quality, reliable transmission networks and maintaining competitive pricing of their product and service offerings.

The Debtors face competition from one or more competitors in each of the markets and in each of the distribution channels in which they operate. The Debtors (as well as their larger competitors) offer local, regional and nationwide paging service and enhanced services such as alphanumeric paging, voice mail and voice mail notification, e-mail notification and news, sports reports and stock quotes. Some of the Debtors' competitors have greater financial and other resources than the Debtors.

The Debtors' five primary paging competitors and their units in service as of September 30, 1997 (derived from the respective companies' public reporting) are listed below:

Company	Units in thousands
Paging Network	10,246
Metrocall/ProNet	4,060
Arch Communications Group	3,781
AirTouch Communications	3,058
PageMart Wireless	2,343
Total: Top 5 Competitors	23,488
MobileMedia	3,561 *

* Adjusted to remove estimated number of units on billing systems that were delinquent or not revenue producing.

(b) *PCS Services.* The Debtors believe the technology for narrowband PCS will substantially increase nationwide alphanumeric network transmission capacity compared to conventional one-way systems. As noted above, the Debtors currently own five regional narrowband PCS licenses acquired through the 1994 FCC auction, providing the basis for a nationwide 50 kHz outbound/12.5 kHz inbound PCS system, as well as a license for a second nationwide 50 kHz outbound/12.5 kHz inbound PCS system. Other telecommunications service providers, including AT&T, PageNet, PageMart and Mtel Communications Inc. also acquired licenses providing them with the basis to offer nationwide, narrowband PCS services.

In the latter part of 1996, the Debtors began limited field testing of two-way narrowband PCS technology using the ReFLEX 25™ protocol developed by Motorola for data messaging. As discussed above, the Debtors intend to utilize their two-way narrowband PCS licenses to expand capacity for alphanumeric paging services and to meet customer demand for two-way services.

(c) *New Technologies.* The Debtors also expect to experience competition from companies providing wireless messaging services based on technology that is different from the Debtors' technology, including (i) the existing two-way data network operated by Ardis Company and RAM Mobile Data (a unit of BellSouth), (ii) specialized mobile radio services ("SMR"), such as Nextel Communications Corporation's ESMR network and (iii) cellular digital packet data, a protocol to send data over existing analog cellular networks. SMR and existing two-way services primarily offer integrated vertical dispatch applications, such as those used in taxi, courier and trucking services. Nextel offers, and other providers of such services have indicated that they intend to offer, mobile telephone, dispatch, alphanumeric type messaging and wireless data communications using such services.

Historically, the FCC has aggressively allocated additional spectrum for new wireless services and is proposing that licensees of spectrum for these new services be given maximum flexibility in determining the uses for such spectrum. The Debtors cannot predict the extent to which licensees of this additional spectrum will compete with the Debtors.

Continuing technological advances in the communications industry, as well as potential regulatory and legislative developments such as the availability of additional spectrum, make it impossible to predict the extent of future competition in the businesses in which the Debtors operate. Such technological advances and regulatory and legislative developments may, for example, make available other alternatives to the services provided by the Debtors, thereby creating additional sources of competition. In addition, future entrants into the market that possess greater financial resources than the Debtors could have a significant, adverse competitive impact upon the Debtors.

7. Assets of the Debtors.

In addition to their FCC licenses and network infrastructure (which includes radio transmission and satellite uplink equipment), the Debtors have the following categories of assets:

(a) pagers (fixed assets for leased pagers and inventory for sale), pager parts and accessories;

(b) their subscriber base and related accounts receivable;

(c) intellectual property;

(d) owned real estate and improvements;

(e) certain leased assets;

(f) computer and telephone systems and equipment;

(g) furniture, fixtures and equipment.

(h) the ownership of one-third of the equity of Abacus Communications Partners, L.P.;

(i) goodwill and other intangibles: and

(j) cash and cash equivalents.

8. Material Litigation and Claims against the Debtors.

(a) *Pending FCC Action.* As previously announced in press releases issued on September 27 and October 21, 1996, the Debtors discovered that misrepresentations had been made to the FCC and that other violations had occurred during the licensing process for as many as 400 to 500 authorizations, or approximately 6% to 7%, of their approximately 8,000 local transmission one-way paging stations. The Debtors caused an investigation to be conducted by their outside counsel, and a comprehensive report regarding these matters was provided to the FCC on October 15, 1996. In cooperation with the FCC, outside counsel's investigation was expanded to examine all of the Debtors' nationwide paging licenses, and the results of that investigation were submitted to the FCC on November 8, 1996. Since November 8, 1996, the Debtors have continued to provide additional information to the FCC.

On January 13, 1997, the FCC issued a Public Notice relating to the status of certain FCC authorizations held by the Debtors. In 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 93 applications for fill-in sites around existing paging stations (which had been filed under the "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 constructed stations, the Public Notice permitted the Debtors to continue to operate those stations on an interim basis until further action by the FCC.

On April 8, 1997, the FCC issued an Order commencing an administrative hearing to inquire into the qualification of the Debtors to remain an FCC licensee. The Order directed an administrative law judge ("ALJ") to take evidence and develop a full factual record on issues concerning the Debtors' filing of false forms and applications in connection with their applications for paging licenses. While the Order initiated a fact-finding and evaluative hearing process to gather information with which to make a decision, the FCC directed the ALJ to make a recommended decision only as to factual matters. Decisions as to the conclusions of law, the disposition of the case and any appropriate sanctions were reserved to the FCC. During the proceeding, the Debtors would continue to operate in the ordinary course and provide uninterrupted service to customers.

On April 23, 1997, the Debtors filed a motion with the ALJ seeking a stay of the hearing proceedings instituted by the April 8 Order. The Debtors sought the stay on the grounds that, absent a stay, the uncertainty created by the hearing process would likely inflict material irreparable damage on the Debtors' business. In the motion, the Debtors also sought confirmation that the Debtors' operations could be preserved through an assignment or transfer of control of the Debtors' Licenses consistent with an FCC doctrine known as Second Thursday.[5] On May 5, 1997, the ALJ denied the Debtors' motion for a stay.

On June 6, 1997, as a result the Debtors' request for FCC review of the ALJ's order, the FCC issued a ten-month stay of the hearing. The ten-month stay is intended to provide the Debtors with an opportunity to comply with the FCC's Second Thursday doctrine. The Second Thursday doctrine balances the FCC's interests with the Code's policies of preserving value for creditors by permitting a company to transfer its licenses as long as the individuals charged with misconduct (i) would have no part in the proposed operations and (ii) would receive either no benefit from the transfer or only a minor benefit that would be outweighed by equitable considerations in favor of innocent creditors. The Debtors believe they will satisfy the requirements of Second Thursday pursuant to the proposed Plan. FCC approval of the transfer of the Debtors' licenses pursuant to the Plan is a condition to effectiveness of the Plan. Such approval, if granted, will terminate the pending proceedings into the Debtors' qualification to remain an FCC licensee.

(b) *Securities Class Actions.* Prior to the Petition Date, five actions allegedly arising under the federal securities laws were filed against MobileMedia and certain of its officers, directors and underwriters in the United States District Court for the District of New Jersey. These actions were subsequently consolidated as In re MobileMedia Securities Litigation, No. 96-5723 (AJL) (the "New Jersey Actions"). A consolidated amended complaint (the "Complaint") was filed on November 21, 1997. The Complaint does not name MobileMedia as a defendant, but alleges that (i) certain former officers of MobileMedia deceived the investing public in violation of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder and Section 20(b) of the Exchange Act by making false statements or omissions in press releases and public filings between June 29, 1995 and September 27, 1996 (the "Class Period"), and (ii) certain officers, directors and underwriters of MobileMedia violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the "Securities Act") by failing to disclose information in offering documents filed with the Securities and Exchange Commission (the "SEC") on or around November 7, 1995 in connection with the secondary offering of MobileMedia common stock and 9⅜% Notes (the "Secondary Offering").

The plaintiffs in the New Jersey Actions allege that, as a result of alleged misrepresentations, purchasers of MobileMedia common stock and 9⅜% Notes suffered hundreds of millions of dollars in damages as the truth concerning, among other things, the severe problems with MobileMedia's growth strategy and its submission of false license applications to the FCC began to emerge and the price of MobileMedia securities dropped.

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5 This policy derives from the FCC's decision in In re Second Thursday Corp., 22 F.C.C.2d 515 (1970), reconsideration granted in part, 25 F.C.C.2d 112 (1970).

In June 1997, the Debtors initiated an Adversary Proceeding in the Bankruptcy Court to stay the prosecution of the New Jersey Actions. The basis of the Debtors' motion for a stay was, inter alia, that the continued prosecution of the New Jersey Actions would interfere with the Debtors' efforts to reorganize and would deplete the assets of the estate.

Pursuant to a Stipulation entered into among the Debtors and the plaintiffs in the New Jersey Actions and "So Ordered" by the Bankruptcy Court on October 31, 1997, the plaintiffs in the New Jersey Actions may conduct only limited discovery in connection with the New Jersey Actions and may not file any pleadings, except responses to motions to dismiss, until the earlier of September 30, 1998 and the Effective Date of the Plan.

In addition to the New Jersey Actions, two lawsuits were filed in September 1997 in the United States District Court for the Northern District of California and the Superior Court of California naming as defendants certain former officers and certain present and former directors of MobileMedia, certain investment entities and Ernst & Young LLP in their capacity as the Debtors' independent auditors. None of the Debtors is named as a defendant in these two actions. The actions are styled Allen T. Gilliland Trust v. Hellman & Friedman Capital Partners II, L.P., Civil Action No. 97-3543 (N.D. Cal. 1997), and Allen T. Gilliland Trust v. Hellman & Friedman MobileMedia Partners, L.L.C., Case No. 989891 (Cal. Super. Ct. 1997) (together, the "California Actions" and, together with the New Jersey Actions, the "Securities Actions"). The plaintiffs in the California Actions are or were shareholders of MobileMedia who purchased stock during 1995 and 1996 and allege that MobileMedia, through the actions of the named defendants, violated federal securities laws, various provisions of the California Corporations Code and California state law in connection with the sale of MobileMedia's securities and in various public filings.

On November 4, 1997, the Debtors commenced an adversary proceeding in the Bankruptcy Court seeking to stay the prosecution of the California Actions against the named defendants. At a hearing held on December 10, 1997, the Bankruptcy Court enjoined the plaintiffs in the California Actions until May 31, 1998 from prosecuting the California Actions, except that the Bankruptcy Court permitted the Plaintiffs in the California Actions to prosecute and respond to certain legal motions and to request documents of defendants and non-parties who do not currently serve on the Board of MobileMedia.

Neither the New Jersey Actions nor the California Actions name any of the Debtors as a defendant. However, proofs of claim have been filed against the Debtors by the plaintiffs in the New Jersey Actions, and both the New Jersey Actions and the California Actions may give rise to claims against the Debtors' Directors, Officers and Corporate Liability Insurance Policy. As to the Debtors, however, these Claims are classified in Classes 8 and 9, and will receive no distributions under the Plan.

(c) *Bankruptcy Claims*. Since the June 16, 1997 bar date established by the Bankruptcy Court for filing proofs of claim in the Cases, the Debtors have been actively involved in resolving the claims filed against their estates. As of December 31, 1997, approximately 2,200 proofs of claim had been filed in the Cases. Approximately 431 of these claims, filed in an aggregate amount of approximately $70 million, have already been resolved by order of the Bankruptcy Court at an aggregate allowed amount of less than $500,000. Excluding claims filed by or on behalf of the Pre-Petition Lenders, the holders of the Notes and taxing authorities, there are fewer than 75 unresolved filed claims over $100,000, which claims have an aggregate filed value of less than $60 million. The Debtors have already filed objections with the Bankruptcy Court to certain of these claims and are currently in the process of reconciling and resolving those remaining. The Debtors believe that, once resolved, the aggregate allowed amount of these claims will be substantially less than $60 million.

The Debtors also are in the process of reconciling and resolving the tax claims filed against their estates. These tax claims were filed in an aggregate amount of approximately $30 million. The Debtors anticipate that these claims will be allowed in an amount substantially less than the filed amount.

9. Regulatory Matters.

(a) *FCC Regulation*. The paging licenses granted to the Debtors by the FCC are for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. In the past, paging license renewal applications generally have been granted by the FCC upon a showing of compliance with FCC regulations and of adequate service to the public. It is possible that there may be competition for radio spectrum associated with licenses as they expire, thereby increasing the chances of third party interventions in the renewal proceedings. Other than those still pending, the FCC has thus far granted each license renewal that the Debtors have filed. Almost all of the Debtors' FCC paging, business, earth station and air-to-ground licenses will expire in 1998 and 1999. The Debtors' nationwide PCS license will expire in September 2004 and their regional narrowband PCS licenses will expire in April 2005. In addition, the Debtors' narrowband PCS licenses require that the Debtors construct base stations meeting certain population coverage requirements within five and ten years of the initial license grant, respectively. As discussed in Section II.A.2.(c), the Debtors intend to build out their narrowband PCS license infrastructure to meet these requirements.

The Communications Act of 1934, as amended, requires radio licensees such as the Debtors to obtain prior approval from the FCC for the assignment or transfer of control of any construction permit or station license or authorization or any rights thereunder. This statutory requirement attaches to acquisitions of other paging companies (or other radio licensees) by the Debtors and transfers by the Debtors of a controlling interest in any of their licenses, construction permits or any rights thereunder. In addition, prior FCC approval would be required in connection with any transfer of control of the Debtors or, in certain circumstances, the acquisition of fifty percent (50%) or more of the equity of the Debtors by a single entity or two or more entities under common control, or the transfer of de facto control of the Debtors. On February 13, 1997, in connection with the filing of the Cases, the Debtors sought a grant of permission from the FCC to execute an involuntary, pro forma assignment of their licenses to the Debtors as debtors-in-possession. On March 3, 1997, the FCC granted such permission with respect to the Debtors' earth stations and on April 3, 1997, the FCC granted such permission for the assignment of the Debtors' microwave licenses. With respect to the Debtors' other radio licenses, a grant of permission is still pending. In addition, as noted above, FCC approval of the transfer of the Debtors' licenses pursuant to the Plan (on terms that do not impair the feasibility of the Plan and permit it to be implemented and consummated) is a condition to effectiveness of the Plan.

The FCC has issued a Further Notice of Proposed Rulemaking in which the FCC seeks comments on, among other matters, whether it should impose coverage requirements on licenses with nationwide exclusivity (such as the licenses owned by the Debtors with nationwide exclusivity), whether these coverage requirements should be imposed on a nationwide or regional basis, and whether -- if such requirements are imposed -- failure to meet the requirements should result in a revocation of the entire nationwide license or merely a portion of the license. If the FCC were to impose stringent coverage requirements on licenses with nationwide exclusivity, the Debtors might have to accelerate the build-out of their systems in certain areas.

The Communications Act also limits foreign investment in and ownership of entities that are licensed as radio common carriers by the FCC. MobileMedia owns or controls several radio common carriers and is accordingly subject to these foreign investment restrictions. Because it is a parent of radio common carriers (but not a radio common carrier itself), MobileMedia is limited to having 25% of its stock owned or voted by aliens or their representatives, a foreign government or their representatives or a foreign corporation. As to MobileMedia, the FCC has the authority to waive this restriction if the public interest would be served by such waiver. In connection with the Group on Basic Telecommunications ("GBT") agreement -- agreed to by 69 countries -- the FCC adopted rules effective February 9, 1998 that create a very strong presumption in favor of such a waiver if a carrier's home market country signed the GBT. MobileMedia's subsidiaries that are radio common carrier licensees are subject to more stringent requirements and may have only up to 20% of their stock owned or voted by aliens or their representatives, a foreign government or their representatives or a foreign corporation. This licensee level restriction is not subject to waiver.

In a rulemaking proceeding pertaining to interconnection between local exchange carriers ("LECs") and commercial mobile radio service ("CMRS") providers such as the Debtors, the FCC has concluded that LECs are required to compensate CMRS providers for the reasonable costs incurred by such providers in terminating traffic that originates at LEC facilities, and vice versa.

Consistent with this ruling mandating compensation for carriers terminating LEC-originated traffic, the FCC has determined that LECs may not charge a CMRS provider or other carrier for terminating LEC-originated traffic. In September and October of 1997, the Debtors provided notice to each of the LECs with which they do business that the Debtors would no longer be paying such charges and that the LECs should cease invoicing the Debtors for such charges, and requested that the LECs provide the Debtors with refunds of these charges that were