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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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July 17, 2000

Commissioner Susan Ness
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554
Room 8-B115

Re: Clarification of C and F Block Information in WT Docket No. 97-82

Dear Commissioner Ness:

Personal
Communications
Industry
Association

PCIA agrees with you that the Commission should not contemplate fundamental changes to its PCS C and F block set aside program on the basis of incorrect information. PCIA believes that recent information made available to the Commission by both commentors and its own internal resources is inaccurate on two crucial matters critical to resolution of this proceeding:

- The success of its C and F Block program to date in bringing new digital services to markets large and small; and
- The ability of designated entities to construct new networks and compete in markets of all sizes.

First, PCIA has been able to determine that the FCC's own data sources underestimate the extent of C and F Block licenses in commercial operation today by no less than 600 percent.¹ On a percentage basis, the number of C and F block licenses in operation compares favorably with the percentage of all PCS licenses now in operation, despite the minimum one year head start of licensees in the A and B blocks. Moreover, the 95 percent of designated entity licensees either in commercial operation today or in compliance with FCC construction deadlines is an extraordinary success rate for a program aimed at start up businesses normally facing a failure rate greater than 50 percent. Finally, contrary to the claims of commentors relying on the Commission's flawed databases, more than 20 designated entities or their successors are already offering commercial service even in the nation's largest markets.

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¹ At your request, PCIA contacted the Wireless Telecommunications Bureau and requested that it provide you with an explanation of how the Commission tracks PCS initiation of commercial operations through its data bases.

Second, despite the wealth of evidence that entrepreneurs are the driving force in the U.S. economy, Nextel and others hope to convince the Commission that the era of wireless entrepreneurship is over. Several commentators have already successfully deconstructed Nextel's back-of-the-envelope financial analysis as to the "impossibility" of building and operating new PCS networks in Los Angeles, San Diego and Norfolk. PCIA requested a leading telecommunications economist to further review the Nextel financial plan. As set forth in detail in Attachment B, he concludes that the Commission should place no weight on Nextel's conclusions.

The FCC's Internal Data Sources Severely Undercount the Extent of C and F Block Operations

PCIA is concerned about the Commission's extraordinary undercounting of designated entity operations. The Commission's proposal to provide incumbent carriers with expansion spectrum at the expense of designated entities is premised, to a large degree, on its mistaken belief that the C and F Block licenses are largely non-operational. The Commission's Further Notice repeatedly points to the failure of C and F Block rollout as justification for its dismantling of the set aside program in favor of incumbent operators.² The Commission needs to re-examine this justification.

One measure of the PCS set aside program's success is the number of C and F block licenses either operating or being built out today. PCIA can now conclude that certain commentators, relying on FCC PCS databases, have under-counted the number of operating C and F block licenses by a factor of at least 600 hundred percent.³

² See FNPRM at ¶2 ("As justification for the proposed changes, the petitioners point to the relatively small percentage of C and F block licenses that have begun providing service in the years since the initial entrepreneur's block auctions were held."); ¶4 (basing proposed changes on petitioner's pleadings); ¶13 (basing revisions to the C and F block rules on the "extensive" record before it); ¶20 (Proposal takes into account the arguments of larger carriers that they, not designated entities, possess the operational expertise and substantial resources necessary to construct and operate PCS systems in highly competitive markets. **"These commentators also point to evidence that suggests that the set-aside of C and F Block spectrum has not been successful in encouraging entrepreneurs to participate in the provision of spectrum-based services, particularly in large markets."** (Emphasis added). Footnote 69 (Nextel notes that only a few of the nearly 1,000 C and F block licenses have been constructed and are in commercial operation and SBC explains that only one of 20 [C and F Block] licenses in the top ten markets was operational at the beginning of 2000.); ¶30 (record indicates that designated entities have had greater success in markets with smaller populations, particularly below the top 20 markets)

³ PCIA can only assume that the Commission is moving forward, in part, on the basis of a fundamental misperception as to the success of its C and F block program based upon the incomplete information contained in Wireless Telecommunications Bureau records.

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Over the last several months, SBC, Nextel, Sprint and others have repeatedly claimed that the set aside program is a dismal failure. SBC claims that only five C and F block licensees in markets of 700,000 or more POPS, and only 28 out of 1,208 C and F block licensees in total, (2.3% of licensees) were operational as of May, 2000.⁴ SBC relies upon Wireless Telecommunications Bureau databases that are clearly not accurate. There is no Commission rule requiring PCS licensees to contact the Commission upon initiation of operations. These licensees are only required to inform the Commission of buildout status five years after licensing.

PCIA contacted several carriers to test the accuracy of the FCC's records. These carriers reported that they were operating the overwhelming majority of licenses marked by the Wireless Bureau as "not operating."

A far more accurate picture of C and F block operations can be determined by using aggregated non-carrier specific market data reported in conjunction with microwave relocations. In accordance with Commission rules, all PCS licensees must alert a PCS microwave clearinghouse not less than 30 days prior to commercial operation of a license.⁵

As of July 14, 2000, approximately 150 C and F block licenses had notified the clearinghouses that they are or will be in commercial operation within 30 days. This is a 13% operating rate for all C and F block licenses. (154/1,208 C and F block licenses),⁶ almost six times greater than reflected in Wireless Telecommunications Bureau records.

An even clearer picture of the C and F block program can be seen by factoring out the licenses that went into bankruptcy or were returned to the Commission as a consequence of the now-discarded installment payment policy.⁷ Many of these licenses are the subject of the pending PCS re-auction. Not including these licenses, designated entities have placed a minimum of 16 percent of C or F block licenses into commercial operation.

⁴ See, e.g. SBC Comments at 4 and Sprint Reply Comments at 9.

⁵ PCIA and the Industrial telecommunications Association are approved clearinghouses under the FCC's rules.

⁶ This is a conservative number since some licensees may not have reported to the clearinghouses as required. In several conversations, licensees were unaware of this obligation.

⁷ The Commission notes that 232 C or F block licenses are in bankruptcy or in default, with the vast majority never having been placed in service. FNPRM at ¶10.

PCIA believes this operational rate is a remarkable success for a program focused on entrepreneurs. Despite the few bankruptcies, designated entities are operating or building networks across the country.

This operational rate is even more remarkable since even the licensees who received their licenses in the very first C block auction are still a year away from their five year build out requirement and licensees who purchased their licenses in the later F block auctions or re-auction still have as much as four years to meet this obligation.⁸ PCIA notes that the designated entity operational rate of either 13% or 16% compares favorably with the overall operational rate of 23% for PCS licenses. C and F block operators received their licenses from one to four years after the first PCS A/B licenses were issued.

As PCIA explained in its comments, the Commission's reformed set aside program has been phenomenally successful in other aspects. Ninety-five percent (95%) of designated entity licensees are either operating today or building out their networks.⁹ In contrast, the Small Business Administration notes that new companies typically have a two-year survival rate of 76 percent and a four-year survival rate of 53 percent.¹⁰ PCIA also notes that even the few PCS bankruptcies can be traced to the first C Block auction, not the subsequent re-auctions.

Finally, PCIA notes that the operational successes of designated entities are not limited to the smallest markets, as certain parties have asserted.¹¹ PCIA has previously placed in the record a snapshot of selected designated entity activities (See Attachment A). Moreover, designated entities or their successors are today providing PCS using C or F block licenses in New York, Chicago, Dallas, Detroit, Seattle, Phoenix, New Orleans, Washington, Providence, Philadelphia, Baltimore, Miami, San Diego, West Palm Beach, San Antonio, Louisville, Worcester (Mass.), Birmingham, Tulsa, Nashville and Milwaukee. Each of these markets contains 700,000 or more

⁸ 47 C.F.R. §24.203. See also the Public Notice of June 12, 2000 announcing the five year build out deadline for A and B block licenses, DA 00-1276.

⁹ According to the Commission, only 8 of over 140 designated licensees are in bankruptcy.

¹⁰ Small Business Answer Card 1998, www.sba.gov/advo/stats/answer.pdf, Discussions with SBA staff indicate that soon-to-be-released data will be comparable.

¹¹ SBC Comments at 4; reprinted in FNPRM at ¶120, note 69.

POPs, exceeding SBC's claims of C and F Block rollout in the largest U.S. cities by over 400 hundred percent.¹²

There Is No Credible Evidence That Designated Entities Cannot Succeed in Even the Largest Markets

PCIA believes that the extent and scope of entrepreneurs' operations to date in markets large and small belies any claim that wireless entrepreneurs should be abandoned by the Commission. In reality, this success should not be a surprise to any observer of entrepreneurship in the U.S. economy. PCIA and others cited compelling Small Business Administration data showing that small businesses, women and minority owned firms are the driving force for new jobs, sales, exports and innovation in our economy.¹³

The 5% bankruptcy rate cited by SBC, Nextel and others as a justification to end the program would be the crudest reason to reject Congress' designated entity goals. Surely, Congress did not expect a 100 percent success rate when creating a program to aid start up companies, and nor can the Commission. More importantly, for these parties to point to the very "top market" licenses held by the 5% of bankrupt companies as a justification for arguing that no designated entity can operate in these markets is not supported by the record. The Commission has been faced with these very bankruptcies for several years, but to date has not hesitated to place returned licenses into the hands of other designated entities. As the Commission is aware, in the aftermath of the installment payment program winning designated entities have paid 100 cents on the dollar and now have every economic incentive to begin commercial operations as quickly as possible.¹⁴ The Commission should reject the faulty logic promoted by the largest carriers.

¹² See, e.g., Comments of SBC Communications at 4 citing to FCC databases. PCIA notes that many other top tier markets are served by designated entities through D or E block licenses or in affiliations with other carriers.

¹³ PCIA Reply Comments at note 7; Rainbow/PUSH Reply Comments at 3.

¹⁴ PCIA might agree with those commentators attempting to link the eight bankruptcies with a systemic inability of entrepreneurs to operate in markets bought by the bankrupts if these failed companies had build out their networks and then declared bankruptcy or successor companies in the largest markets had later shown their inability to compete against established carriers. But that is simply not the set of facts faced by the Commission today. On the contrary, when the Commission has placed returned licenses in the hands of other designated entities, the results have been uniformly positive.

Nextel has gone farthest in promoting the end of wireless entrepreneurship, claiming that small businesses—by definition “do not have and cannot attract the financial prerequisites to acquire, construct and deploy a competitive wireless telecommunications system in almost any BTA in the U.S.”¹⁵ Nextel attempts to support this insupportable position with a set of economic and operational premises that are at best frivolous and at worst patronizing. PCIA and several other parties have already refuted the Declaration of Nextel's employee in some detail.¹⁶ Perhaps the most telling indictment of the Nextel assertions is its gold plating of the costs of current buildout. While Bear Stearns & Co estimates Nextel's average capital expenditures at \$27.00 per POP, Nextel predicts that a new entrant would spend \$343.00 per POP in Norfolk, Virginia.¹⁷

Due to the extraordinarily short reply comment cycle, PCIA was unable to provide the Commission with a systematic critique of the Nextel analysis within that time frame. PCIA retained Daniel Kelley, Senior Vice President of HAI Consulting in Boulder, Colorado, to comment upon the Nextel Declaration. Mr. Kelly's full analysis is attached. Mr. Kelley makes the following conclusions:

- The Nextel finding of negative net present value for new entrants in Los Angeles, Norfolk and San Diego BTA is not supported by essential financial data.
- The Nextel assumption that new entrants would need to build a third generation system today is not supported by the rollouts of today's entrepreneurs. Mr. Kelly agrees that entrepreneurs will, however, provide differentiated services.
- The Nextel assumption that a new entrant must replicate the coverage area of incumbents and not turn on service until its network is complete is not supported by the action of either incumbent carriers or new “campus” technologies.¹⁸

¹⁵ Nextel Comments at 5-6.

¹⁶ See PCIA Reply Comments at 6-9; Rainbow/PUSH Coalition Reply Comments at 6-7; Alpine PCS Reply Comments at 8; Carolina Telephone Reply Comments at 3; Northcoast Communications Reply Comments at 6-8; OPM Auction Co. Reply Comments at 5-6.

¹⁷ Northcoast Reply Comments at 7.

¹⁸ At Attachment C, PCIA provides a description of the Airstar Wireless Local loop System. The Airstar campus approach is just one example of an alternative service offering to that contemplated by Nextel

- The Nextel assumption that new carriers will need to construct new cell sites ignores the existence of a ubiquitous third party tower market that will lower up front costs, generate revenues faster and raise the net present value of new networks.
- The Nextel financial analysis provides none of the necessary costs of construction, costs of capital or revenue intermediate calculations needed to test the validity of Nextel's suggested outcome.
- The Nextel financial analysis fails to provide information on equipment costs or operating expenses. Nonetheless, new entrants may actually have a cost advantage over incumbents faced with maintaining or transitioning from analog digital network.
- The Nextel assumption that new entrants will pay \$120 per POP for spectrum, as occurred in the most recent United Kingdom auctions, ignore the facts unique to that auction.
- Contrary to Nextel's predictions, entrepreneurs are entering into and succeeding in telecommunications markets long-dominated by incumbent operators with public policy assistance from Congress and the Commission.
- Nextel incorrectly assumes that entrepreneurs will not learn from the mistakes of the first generation of PCS bidders.
- Nextel ignores the positive spillover effects of having new players enter wireless markets to partner with independent long distance carriers and provide wireless local loop competition to ILECs.
- Since Nextel's premises are either incorrect or undocumented, the Commission should give no weight to its conclusions.

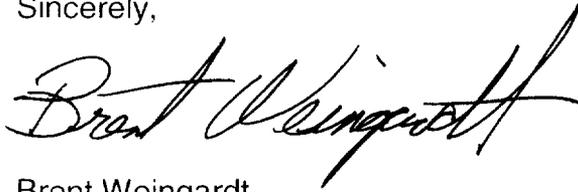
PCIA hopes this information provides the Commission with a clearer picture as to the extent of designated entities' current operations. PCIA also hopes its detailed rebuttal of Nextel's Declaration will finally put to rest the established carriers' canards as to the end of entrepreneurship in wireless businesses.

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PCIA does not oppose the efforts of all carriers to gain access to spectrum to provide additional capacity, provide advanced services or expand services footprints. PCIA believes that the Commission has several tools in place to allow these carriers to meet their legitimate spectrum requirements.¹⁹ The Commission need not bend the public interest for carriers whose internal business plans reject these options in favor of creating only fully-owned, facilities-based national networks. It should certainly not support this approach at the expense of creating new competitors through its successful designated entity set aside program.

Please do not hesitate to contact me if you have any questions.

Sincerely,



Brent Weingardt
Vice President, Government Relations

CC: Chairman Kennard
Commissioner Furchtgott-Roth
Commissioner Powell
Commissioner Tristani
Clint Odom
Mark Schneider
Brian Tramont
Peter Tenhula
Adam Krinsky
Tom Sugrue
Kathy Brown
Kathleen O'Brien Ham
Diane Cornell
Audrey Bashkin

¹⁹ As PCIA and others have extensively documented, carriers can take advantage of the following Commission processes: The upcoming 700 MHz Auction; Identification of additional advanced mobile spectrum bands in accordance with WRC 2000 decisions; Reallocation of government spectrum in accordance with last year's Spectrum Policy Statement; Spectrum Cap waivers; Partitioning and disaggregation; Assignments and transfers; Affiliations; Roaming agreements; Market swaps; and Management agreements.

PCS C and F BLOCK SUCCESS STORIES¹

- ◆ PVT Wireless Limited Partnership will begin offering service in New Mexico beginning in March. PVT holds the E and F Block licenses for Carlsbad, New Mexico and the C Block license for Roswell, New Mexico. When PVT Wireless turns on its PCS network on March 1, it will provide the first competition to the two cellular service providers in these markets. The company is investing \$8 million in PCS infrastructure and currently has 11 PCS employees.
- ◆ Leaco Rural Telephone of New Mexico will be offering service in Carlsbad and Hobbs beginning March 15. It currently employs 15 people and has invested over \$5 million in its PCS networks. Leaco will provide service to some of the most rural portions of the United States. With PCS as a wireless local loop alternative, it can reach rural customers at a cost of approximately \$350 per customer, instead of the \$10,000 cost of running a wire.
- ◆ PCS Plus holds licenses for Farmington and Gallup, New Mexico, and St. George, Utah. PCS Plus is currently in the site acquisition and zoning phase of its buildout and expects to provide commercial service within one year. It is working with the Navaho nation on an innovative combination of PCS and broadband fixed wireless to bring telemedicine and distance learning to Native American locations. PCS Plus intends to co-locate mobile and fixed licenses to save construction costs while bringing the promise of high capacity communications to these rural and disadvantaged areas.
- ◆ TeleCorp PCS, headquartered in Arlington, Virginia, has successfully launched PCS service in 24 markets since February 1999 (New Orleans, Baton Rouge, Lafayette, Hammond, New Iberia, Houma and Thibodaux, Louisiana; Memphis and Jackson, Tennessee; Little Rock, Fayetteville, Jonesboro and Hot Springs, Arkansas; Concord, Manchester, Nashua and Portsmouth, New Hampshire; Worcester, Cape Cod, Nantucket and Martha's Vineyard, Massachusetts; and San Juan, Ponce and Arecibo, Puerto Rico). Operating as an AT&T Wireless affiliate under the SunCom brand, TeleCorp has networks in eight of the 100 largest U.S. metropolitan areas. TeleCorp had over 100,000 PCS subscribers as of November 1999 and had an operational network covering 65 percent of its 16.5 million-population license area. While still maintaining an operating loss, TeleCorp had revenues of \$48 million for the first nine months of 1999. The company recently completed a successful IPO and has a market capitalization of approximately \$4.3 billion. TeleCorp PCS employs over 1,100 people throughout the United States. The company began operations in 1998.

¹ This information is based upon discussions with a number of C and F Block licensees. PCIA has not yet spoken with all C and F block licensees.

- ◆ Leap Wireless International of San Diego, California, purchased 36 licenses in the 1999 C Block reauctions and is purchasing additional licenses throughout the United States. It will provide mobile service in Alaska, Arkansas, Arizona, California, Colorado, Idaho, Kansas, Montana, North Dakota, Nebraska, New Mexico, Oklahoma, Oregon, Utah, Washington State and Wyoming. Leap already has introduced an innovative local wireless service offering, known as Cricket, in Chattanooga and Nashville, Tennessee. Cricket gives customers the freedom to make all of their local calls for a low, flat rate of \$29.95 a month. Cricket is priced competitively with traditional landline service and also offers voice mail, caller ID and call waiting. To date, Leap employs 90 people in the United States and has over 22,000 subscribers. While still maintaining an operating loss in this buildout stage, the company had revenues of \$22 million in 1999 and \$3.3 million in 1998. The company began operations in 1998.
- ◆ CLEAR TALK turned on its network in Grand Junction, Colorado, just last week and is proud to have 25 customers to date. CLEAR TALK invested \$6 million in its Grand Junction network. CLEAR TALK is in the process of building out nine other C Block PCS markets in Bartlesville, Oklahoma; Clovis, New Mexico; Eagle Pass, Texas; El Centro and Eureka, California; Midland, Texas; Pocatello, Idaho; and St. George, Utah. CLEAR TALK paid over \$1 million for these licenses in the 1999 reauctions. The company now employs 45 people in its Grand Junction headquarters. CLEAR TALK offers several “bucket” pricing plans that allow customers to pay a fixed monthly fee for calling, with rates starting at \$20 for 150 minutes and going to \$89 for unlimited calling.
- ◆ South Central Communications began operations on its C Block license eight months ago in St. George, Utah. It has invested \$8.5 million in its network and employs 10 people. It currently has approximately 3,000 customers. It is the first PCS licensee competing against the cellular providers in St. George. As an innovative pricing option, the company provides free roaming minutes based on 10 percent of the package of minutes purchased by a customer.
- ◆ Westlink Communications is in the final stages of testing a C Block PCS network in Garden City, Kansas. It will turn this network on for public use on April 1. It also is building facilities using a partitioned F Block license in Liberal, Kansas. To date, it has invested approximately \$2 million in its network and has 6 employees committed to PCS. It will be providing the first mobile alternative to the two cellular operators in these markets.

- ◆ CFW Communications Company (“CFW”), headquartered in Waynesboro, Virginia, currently provides PCS services through the Virginia PCS Alliance, L.C. and the West Virginia PCS Alliance, L.C. in thirteen BTAs with a combined population of 2.8 million, including: Charlottesville, VA; Danville, VA; Harrisonburg, VA; Lynchburg, VA; Martinsville, VA; Roanoke, VA; Staunton-Waynesboro, VA; Winchester, VA; Charleston, WV; Clarksburg-Elkins, WV; Fairmont, WV; Huntington, WV-Ashland, KY; Morgantown, WV. CFW and the Alliances plan to aggressively build out other markets included within their PCS license holdings which, collectively, encompass over 5.4 million people in a contiguous geographical area covering central and western Virginia, West Virginia, and portions of nearby states. CFW and the Alliances have over 40,000 PCS customers, over 300 cell sites in service and approximately 200 jobs added at CFW to manage its wireless operations. CFW and the Alliances credit much of their success to the unique focus and knowledge they have of local markets, particularly in relation to the industry “giants.”

- ◆ Carolina Phone Company, headquartered in Greenville, South Carolina, purchased nine C Block licenses in 1997 that cover almost the entire state of South Carolina. This January it launched service in Greenwood, Anderson, Greenville and Spartanberg. The company employs 70 individuals and is making a statewide investment of \$300 million in its network. Carolina Phone Company offers only PCS products and prides itself on its customer focus that permits it to compete against the wireless incumbents. The company is rolling out a prepaid service in its markets.

- ◆ Nebraska Wireless Telephone currently is operating on its F Block license in Grand Island and will turn on service in North Platte in July. It will begin commercial service with its C Block license in Hastings in April and add to its service in Norfolk by using its other C Block license beginning in the fourth quarter of 2000. To date, Nebraska Wireless Telephone has 1,500 subscribers. The company has 28 employees and has invested approximately \$14 million in its networks. While it competes with cellular operators Alltel and Western Wireless, Nebraska goes head-to-head with the local wireline phone company with its wireless local loop product. Seventy percent of its customers have replaced their wireline service by purchasing unlimited airtime for \$39.95; the customers’ home phones use a wireless interface for calls made from home and the company provides a mobile unit that rings on the same number. Traditional wireless customers can purchase unlimited mobile service for \$59.

- ◆ Airadigm Communications holds 13 C and F Block licenses throughout Wisconsin and Iowa. It currently is operating in Appleton-Osh Kosh, Green Bay, Manitowoc, Sheboygan, Fond du Lac, Madison, Jamesville-Beloit, Stevens Point-Wisconsin Rapids, and Wausau-Rhineland, Wisconsin. It will soon be operating in Eau Claire and La Cross as well as Cedar Rapids, Iowa. To date, the company has invested \$55 million in its networks and employs 100 people. It has approximately 20,000 subscribers. Airadigm was the first C Block licensee to launch operations in the United States. It distinguishes itself in the market by concentrating on offering businesses a wireless alternative to the local landline phone company.

- ◆ PYXIS Communications operates networks in Riverton, Casper and Cheyenne, Wyoming. It currently has 1,500 subscribers and employs 35 individuals in its wireless operations. To date, PYXIS has invested \$15 million in its PCS networks. The company was the first in the nation to offer circuit-switched data (mobile Internet access) and is currently conducting wireless local loop trials in its markets.
- ◆ Omnipoint's all-digital network currently provides advanced wireless communications services in much of Connecticut, New York Metro, New Jersey, Delaware, Greater Syracuse/Binghamton, Albany, Philadelphia/Lehigh Valley, Northeast Pennsylvania, Rhode Island, Massachusetts, New Hampshire, Southeast Florida, Indiana, Southern Michigan and Northwest Ohio. Omnipoint had 698,000 subscribers at the end of the third quarter of 1999. While still operating at a loss, the company had \$269 million in revenues for the first three quarters of 1999. Omnipoint employs close to 2,000 individuals. The company was founded in 1987.
- ◆ Cellular 2000 of St. Cloud, located in Minnesota, is operating an F Block system in St. Cloud that offers an innovative "community cordless service" at flat fees ranging from \$29.95 to \$39.95. The service also includes the option of on-network roaming. Cellular 2000 has approximately 1,000 customers on this service. The company employs 12 people devoted to wireless and has invested \$6 million in its network.
- ◆ Enterprise Communications, a Sprint PCS affiliate, is operating in Albany, Georgia, Dothan, Alabama and Columbus, Georgia. It will be operating in Opelika, Alabama and La Grange, Georgia, within 1-2 years. Enterprise currently employs 34 people in its wireless business and has made an investment of \$40 million in its three operating networks. Enterprise offers the innovative Sprint bucket pricing plan and was the first Sprint affiliate to offer service in the United States.
- ◆ Comscape Telecommunications currently is providing PCS service in Charleston, West Virginia, and expects to provide service to Raleigh-Durham and Wilmington, North Carolina, within the next year. Comscape plans to spend \$575 million over the next three years to expand its PCS service offering. Comscape is in the midst of finalizing contract negotiations with a new vendor that will allow Comscape to finish the buildout of its markets. Comscape is the fourth successful telecom enterprise to be founded or co-founded by its principles.
- ◆ Third Kentucky Cellular Corporation is a C and F block licensee providing PCS service as Wireless 2000 Telephone Company to customers in the municipalities of Corbin, Somerset, and Middlesboro-Harlan, Kentucky. Third Kentucky already has invested over \$5 million to build-out its PCS network and serves over 500 customers in rural Kentucky. Third Kentucky provides pre-paid service to over 80 percent of its PCS customers and provides monthly service for as little as \$20.

- ◆ Etelo Communications intends to capitalize on the communications and Internet revolution by building a wireless broadband IP network in rural markets using its C block PCS licenses. Etelo Communications will build and install the network using advanced third generation wireless technology, leapfrogging the CLEC (Competitive Local Exchange Carriers) to gain access to the local dial tone. The WWL (Wireless Local Loop) network will provide “always on” broadband Internet and VOIP (Voice Over Internet Protocol) telephony services. The wireless network will be one of the first packet-switched based networks to provide high-speed modem connectivity using the 1.9 MHz. PCS frequency. Etelo purchased its license for Deyersburg, Tennessee, at last year’s FCC reauction.

- ◆ MFRI holds one C block license for Stroudsburg, Pennsylvania, and F block licenses for Stroudsburg, Pottsville and Sunbury. The company spent over \$1 million for its licenses and to date has spent another \$300,000 on deployment. It is 2-3 weeks away from closing on financing and expects that it will offer service in Stroudsburg beginning this summer. The company is dependent on forming roaming agreements with other designated entities and believes that a change in the licensing rules now would threaten its very existence.

- ◆ Highland Holdings holds C Block licenses in Toledo, Lima and Findlay, Ohio, as well as Hyannis, Massachusetts. The company currently operates cellular facilities in the Ohio territories and expects to bring its PCS licenses on line within the year. It has four employees devoted to PCS development. Highland provided cellular service in Southern West Virginia almost four years before any of the national carriers and expects to provide its customers with a hometown approach to PCS that has been successful for it to date.

- ◆ Northcoast Communications L.L.C. holds 44 F Block licenses that cover approximately 45 million POPs. Northcoast is currently in negotiations with several infrastructure vendors to provide equipment, services, and financing to support the buildout of its Cleveland, Boston, and New York F Block license areas and expects to begin offering service in Cleveland in the third quarter of this year. Northcoast has invested over \$70 million in PCS to date and will invest an additional \$500 million in these markets over the next two years. Northcoast plans to offer low cost wireless services to segments of the population that are not being well served by incumbent wireless providers today, including low to moderate income households, consumers in rural areas, and other users that are not the focus of the large nationwide providers. Northcoast also plans to offer new services including fixed wireless voice and data that their competitors, thus far, fail to offer.

- ◆ Digiph PCS, Inc. holds six "C" Block licenses covering Mobile, Alabama, Ft. Walton Beach and Pensacola, Florida, Laurel, Hattiesburg, and the Biloxi-Gulfport-Pascagoula, Mississippi. Digiph employs 234 people to serve its 72,000 subscribers. In 1999, Digiph's earned \$38 million in gross revenue and has already spent \$81 million deploying its network across the southeastern United States.

- ◆ Amica Wireless Phone Service provides PCS service throughout central and southern Illinois. Today, Amica provides service to Bloomington, Springfield, Champaign, and Decatur, Illinois. Amica also expects to be operating a year from today in Peoria, Galesburg, Danville, and Jacksonville, Illinois. It soon will be operating in Iowa and holds a total of 15 C/F Block licenses. Amica employs 50 people and its gross revenue for the last fiscal year was \$1.6 million. Thus far, Amica has invested \$20 million into its PCS network and now serves 3,500 customers.

