

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

) EB Docket No. 07-147
)
PENDLETON C. WAUGH, CHARLES M. AUSTIN, and JAY R. BISHOP) File No. EB-06-IH-2112) NAL/ Acct. No. 200732080025
)
PREFERRED COMMUNICATION SYSTEM, INC.) FRN No. 0003769049
)
Licensee of Various Site-by-Site Licenses in the Specialized Mobile Radio Service)
)
PREFERRED ACQUISITION, INC.) FRN No. 0003786183
)
Licensee of Various Economic Area Licenses in the 800 MHz Specialized Mobile Radio Services)
)

To: Enforcement Bureau

**ANSWERS TO ENFORCEMENT BUREAU'S FIRST INTERROGATORIES
TO PENDLETON C. WAUGH**

1. a. Judicial Law Clerk, Judge William J. Harbison, Tennessee Supreme Court 77-78;
- b. Associate, Sutherland, Asbill & Brennan, Atlanta, Georgia 1978-1979;
- c. Associate, Vial, Hamilton, Koch, Tubb, Knox & Stradley, Dallas, Texas 1981-1982;
- d. Associate, James C. Ash, P.C., Arlington, Texas 1982-1984;
- e. Shareholder, Pendleton C. Waugh, P.C., Dallas, Texas 1984-1995;

- f. Chairman and Chief Executive Officer, Ashford Financial Group, Inc. 1986-1990;
 - g. Chairman and Chief Executive Officer, Express Communications, Inc. 1990-1994;
 - h. Chairman and Chief Executive Officer, Telecellular, Inc. December 1993-April 1997;
 - i. Managing Member, Smartcomm, L.L.C. 1993-1997;
 - j. Consultant, OneSource Communications July-August 1996;
 - k. Consultant, Telecellular, Inc. May 1997- June 1998;
 - l. Consultant, Preferred Communication Systems, Inc. August 1998-present;
-
- a. should be self-explanatory.
 - b. – d.: I worked as an associate in the referenced law firms. Concentrated in areas of corporate, securities, partnership and individual taxation and appellate litigation.
 - e. worked as a solo practitioner (1984-1988 and 1990-1995) and concentrated in the areas set forth immediately above.
 - f. Company engaged in merchant banking activities—private placements both as an investor and broker to client companies.
 - g. Company engaged in the marketing of FCC license applications and limited liability companies to purchase and operate wireless communications systems.
 - h. Company participated in a joint venture with fifteen corporations that held approximately 42 800 MHz SMR Trunked System (“YX”) licenses in Puerto

Rico. This company also executed construction and management agreement and purchase option agreements with these 15 corporations.

- i. This limited liability company purchased several 800 MHz SMR licenses in and around Dallas, Texas.
- j. This company filed an application to participate in FCC Auction #11. I participated through a Voting Trust drafted by Lewis Paper and Jacob Farber at Dickstein, Morin Shapiro & Oshinsky, a Washington, D.C. law firm.
- k. Same as h.
- l. This company initially purchased several hundred 800 MHz SMR General Category ("GX") licenses in Puerto Rico and the U.S. Virgin Islands. In 2000 it participated through Preferred Acquisitions, Inc. ("PAI"), a wholly-owned subsidiary corporation, in FCC Auction #34 (800 MHz General Category Channels). At the conclusion of such Auction PAI had purchased 38 separate frequency block licenses in ten Economic Area ("EA") markets covering 32.4 million Pops.

2. a. 1. a – d. above no.

b. 1. e. above: I owned 100% of the stock of my law firm from 1984-1988. During 1988-1990 I owned 50% of the stock of the firm. From 1990-1995 I again owned 100% of the stock of the firm.

b. 1. f. – h. above: I owned 25%-42% of these firms. With respect to Telecellular, Inc, I transferred my shares to the Richard C. Houdek Voting Trust in late 1997. At that point I no longer owned any shares of that company's stock.

c. 1. i. above: I owned 50% of the membership interests of this LLC.

d. 1. j above: no; a Voting Trust established for my benefit held approximately 42% of that company's issued and outstanding shares.

e.1. k. above: see 2..b. immediately above.

f. 1.1. above: no. A Voting Trust Agreement was executed with Raymond A. Hebrank on April 14, 2000 and amended and restated five years later. No shares ever have been issued to the Voting Trust which has not yet been formed under California law.

3. See 2, above.

4. I have filed a federal income tax return each year during 1998-2005. I am working with my CPA firm to file my 2006 return shortly. I filed jointly with my then wife in 1998. I filed my 1999-2005 returns on an individual basis.

5. I held a license to practice law in Georgia from 1978-1996. I also held a license to practice law in Texas from 1983-1997. I have held a license to practice law in Tennessee since 1979. I formerly was a member of the Bar Association of Georgia and Texas and of the American Bar Association. I remain a member of the Tennessee Bar Association. I intend to file for reinstatement to the Georgia and Texas bars in 2009 and rejoin those states' bar associations as well as the American Bar Association.

6. No

7. No

8. No

9. No

10. No

11. No

12. No

13. No

14. No personal knowledge

15. No personal knowledge

16. I was engaged as a consultant by Preferred in August 1998 or approximately eight months following that company's formation. I worked in such capacity from my home during August 1998-July 1999, January 2000-November 2000 and November 2001-February 2002. In March 2002, Preferred moved its offices to Irving, Texas, where I worked from that date through January 2005. In February 2005, I relocated to Escondido, California, where I worked in an office sub-leased by Preferred and in August 2006, moved to Scottsdale, Arizona, where I work in Preferred's Investor Relations Office.

I originally was retained by Preferred to assist it in raising equity capital and arranging debt financing so that it could construct its 800 MHz SMR GX licenses in Puerto Rico and the U.S. Virgin Islands. I subsequently was asked to assist Andrew Gefen at Bond & Pecaro in developing Preferred's Business Plan. In 2000, I was requested to develop a bidding strategy for PAI to use in FCC Auction #34. Since 2001, I have worked with the Company's management and FCC attorneys to prepare filings in the 800 MHz rebanding proceeding (WT 02-55) and to raise equity capital and arrange debt financing on its behalf.

17. See 16. above. Until January 1999, I had not visited Preferred's offices in Palm Springs, California. Beginning in March 2002, some four years and two months after the Company was founded, I was provided an office by Preferred. Since

February 2005, I have worked separately from the Company's corporate office and no longer have an office in Preferred's corporate offices located in Irving, Texas.

18. See 17 above.

19. No personal knowledge.

20. No personal knowledge.

21. None re (1-3 and 5). In my capacity as a consultant, I contact individuals I have known for many years and seek to persuade them to act as finders on behalf of Preferred. Upon such person agreeing to act as a finder, I seek to provide training and continuing support to the finder.

22. None.

23. No personal knowledge.

24. No personal knowledge.

25. No personal knowledge except to documents I prepared personally.

26. See 25 above.

27. No personal knowledge.

28. No personal knowledge.

29. To the best of my knowledge, Charles M. Austin, Jay R. Bishop, Michelle Bishop Robert Goldberg and Charles D. Guskey are the only persons who have been responsible for negotiating contracts and investments agreements on behalf of Preferred and/or PAI. To the best of my knowledge, with respect to legal proceedings, Jeffrey Minnich of Neu, Minnich, Comito & Hall, P.C. (Carroll, Iowa) T. Ray Guy of Weil, Gotschal & Manges L.L.P. (Dallas, Texas), David

Kaufman of Brown, Nietert & Kaufman, Chartered (Washington, D.C.), Paul Besozzi and Nicholas Allard (Washington, D.C.) and David Clouston and Cheryl Jerome Moore (Dallas, Texas) of Patton Boggs LLP and Charles R. Ryan (Annapolis, Maryland) are the only persons who have negotiated on behalf of Preferred and/or PAI.

30. See 29 above.

31. – 38. No personal knowledge.

39. None.

40. I filed numerous 220-222 MHz license applications for the lottery that was held in 1991. Elden Heinz prepared the applications on my behalf and numerous Express Communications, Inc. application clients. In 1993, I filed approximately fifty applications for Cellular Unserved Area market licenses. I initially was awarded the A Block license for Santa Cruz, California. I also participated in full market settlement groups for approximately ten markets including Dallas and Houston, Texas, Oxnard, California, Macon, Georgia, Bismarck, North Dakota and Yakima, Washington. Jamal Fakory prepared the license applications on my behalf as well as that of numerous Express Communications, Inc. clients. Moreover, through PCC Holdings, Inc., a second tier subsidiary of Express Communications, Inc., I indirectly owned forty 800 MHz YX licenses in Oklahoma, Texas, Louisiana and elsewhere. Through PCC Management Corp., another second tier subsidiary of Express Communications, Inc., I held an interest in construction and management agreements with respect to more than 1,500 800 MHz YX paired channels located throughout the U.S. and approximately 300 220-222 MHz paired channels located throughout the

U.S. Finally, I also owned a controlling interest in Smartcomm, L.L.C. which purchased several 800 MHz SMR YX licenses in and around Dallas, Texas.

41. Yes. I was convicted of a felony in federal court on January 19, 1995. I was convicted of a felony in a Texas state court on May 18, 1999. The other information requested is in the public record. Based upon the FCC Hearing Designation Order, the Commission already possesses the requested information.

42. Yes. I informed Mr. Austin verbally of such convictions and provided him with written copies of the convictions and sentencing orders. I also provided Mr. Austin with copies of newspaper articles relating to the modification of my supervised release in July 1996 and the revocation of such supervised release in July 1999. Mr. Austin also was made aware of my convictions through litigation instituted by Telecellular, Inc. against Preferred and Messrs. Austin, Bishop and me in a Texas State Court in August 1998 and by Russell and Lois Wunschel against the same defendants in an Iowa State Court in 1999. Mr. Austin also was made aware of such convictions in Petitions to Deny filed by Telecellular, Inc. and Dee Wunschel with the FCC in 1998-1999.

43. No personal knowledge re Mr. Austin and/or Preferred. Through my FCC attorney, William Franklin, I reported my criminal conviction to the FCC in March 1995. The Cellular Unserved Area full market settlement groups in which I participated also notified the Commission of my criminal conviction in March 1995. In January 1995, PCC Management Corp., a subsidiary of Express Communications, Inc., filed an Extended Implementation Authority ("EIA") application with the FCC. In July 1995, the Commission sought comment upon PCCM's and Chadmoore Wireless Group, Inc.'s

respective EIA applications. In several comments filed with the FCC, interested parties challenged the PCCM's application on character grounds due to my criminal conviction in January 1995 and previous association with Express Communications, Inc.

Moreover, in 1999, one of the cellular unserved area full market settlement groups sought a waiver of the anti-trafficking prohibition due to the transfer of my general partnership interest to the trustee in a bankruptcy proceeding initiated by me in August 1996. In ruling upon this issue, the FCC also determined that my ownership of a general partnership interest in the full market settlement group for approximately two years following my criminal conviction did not disqualify the full market settlement group as a Commission licensee. See *In the Matter of Twiggs County Cellular Partnership*, Order, File No. 10120-CL-P-138-B-93 (released June 18, 1999)(Wireless Telecommunications Bureau).

44. None.

45. Yes, as to my statements.

46. Yes.

47. Yes. I will provide these documents to the FCC as I collect them.

48. (a)(i-iii): No personal knowledge.

(iv) Initially, I was to form a Voting Trust contemporaneously with one to be formed by Jay Bishop. However, after the Auction #34 filings with the FCC, Mr. Bishop reneged on his agreement to form a Voting Trust that would meet FCC and SEC requirements. Mr. Chandu Patel, the investor who loaned PAI \$31.67 million to pay its net winning bids in such Auction, then adopted the position that he did not recognize the so-called Core Group set forth in various spreadsheets prepared during

1998-2000 and Mr. Bishop and Mr. Gurskey should own considerably fewer shares of Preferred's Common Stock than Mr. Austin or the Raymond Hebrank Voting Trust. My recollection is that Mr. Austin disagreed with Mr. Patel particularly with respect to Mr. Bishop and a stalemate developed concerning the conditions under which Mr. Patel would convert approximately sixty percent of his loans into shares of the Company's preferred stock.

In March 2003 Mr. Patel passed away suddenly from a blood clot in his leg that dislodged and moved to his heart. Divya Patel, Chandu's older son, represented the Patel family re Preferred and continued his father's opposition to issuing Mr. Bishop or Mr. Guskey a considerable number of Preferred's shares of Common Stock.

Moreover, during 2001-2004 I received little or no compensation from Preferred or other sources. I simply did not have the funds to contribute \$2,000 to the Voting Trust and pay Mr. Hebrank his accruing compensation (\$2,500 per year) for serving as trustee.

In late 2005 and early 2006, my financial circumstances improved and I paid Mr. Hebrank's his accrued compensation for 2001-2005. However, Mr. Austin then determined that Preferred/he would not honor his verbal agreement to issue 800,000 shares of Preferred's Common Stock to the Voting Trust. As a result of Mr. Austin's position, I determined to delay sending Mr. Hebrank additional monies until I had sufficient monies on hand to retain an attorney and pursue litigation if that should prove necessary.

(v) (1) \$2,000. (2) \$800. (3) \$800,000. (4) \$41.096 million.

(v)(i) \$800 or \$.001 per share.

(v)(ii) No personal knowledge.

(b)(i)(ii)(iii) No personal knowledge.

(iv) See (a)(v)(i) above.

49. Since January 1, 1997, or ten years and ten months ago, the only litigation in which I have been named as a defendant in civil litigation are the following:

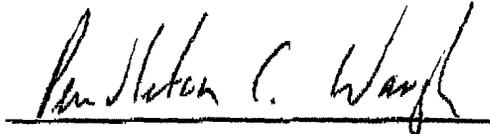
a. *Telecellular, Inc. v. Preferred Communication Systems, Inc. and Pendleton C. Waugh, Charles M. Austin and Jay R. Bishop*, in the District Court for the 44th Judicial District, Dallas County, Texas. This litigation was commenced in August 1998 and was settled in favor of the defendants in July 1999. I was dismissed as a defendant from this lawsuit in November 1998 after filing the "Defendant Waugh's Original Answer and Counterclaims."

b. *Lois Wunschel and Russell Wunschel v. Preferred Systems, Inc. and Pendleton C. Waugh, Charles M. Austin and Jay R. Bishop*, in District Court for Carroll, Iowa. This lawsuit was filed in 1998 by two shareholders of Telecellular, Inc. This lawsuit was ultimately dismissed in 2000 due to lack of personal jurisdiction over the defendants. Jeffrey Minnich, a partner in the law firm Neu, Minnich, Comito & Neu, P.C., represented the defendants. His address is 721 N. Main Street, Carroll, Iowa, 51401. Contemporaneous with such litigation, Telecellular, Inc. and then Dee Ann Wunschel, the daughter of the Wunschels, filed numerous petitions to deny against Preferred Communication Systems, Inc.'s applications to transfer 800 MHz SMR General Category licenses from numerous individuals to it in 1998-1999. In December 1999, the FCC dismissed these petitions to deny based upon the litigation settlement agreement entered into by Telecellular, Inc. and Charles Austin, Jay Bishop, and Preferred Communication

Systems, Inc. and the untimely filing by Ms. Wunsobel of a petition to intervene in the FCC proceeding. See *Order In re Applications of Preferred Communication Systems, Inc. for Authorization to Assign Multiple SMR Licenses from various Licensee to Preferred Communication Systems, Inc.*, DA 99-2701 (December 3, 1999)(Wireless Telecommunications Bureau).

50. Yes. I received a copy of the Order in the mail several days following July 20, 2007. I am unsure of the exact date.

I hereby state under penalty of perjury that the foregoing Answers to Enforcement Bureau's First Interrogatories to Pendleton C. Waugh are true and correct to the best of my knowledge and belief.



Pendleton C. Waugh

November 8, 2007

CERTIFICATE OF SERVICE

I, William D. Silva, certify that I have caused a copy of the foregoing "Answers to Enforcement Bureau's First Interrogatories to Pendleton C. Waugh" to be sent by electronic mail or first class mail, this 8th day of November, 2007, to the following:

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