

Western Telecommunications Alliance

Spectrum Valuation

Valuation – Relative to AWS Auction

- Last year's AWS auction results are a good starting point
 - Same geographic denominations (CMAs, EAGs, REAGs) as will be in the upcoming 700 MHz auction
 - Easy to see what a particular market sold for last year
 - *Make sure you adjust for size of block (use MHz/Pop)*
 - Time until incumbents vacate is about the same (2009)
- HOWEVER, we believe 700 MHz should be at a premium
 - The frequency is superior
 - 700 MHz licensees do not have to pay to move incumbents
 - No “clearinghouse” headache
 - Premium will likely be higher in rural markets, due to reach

Valuation – Relative to PCS Values

- Look at relative to five PCS Auctions (1994-2007) as well as secondary market PCS transactions
- 700 MHz should be at a discount to PCS, despite being a superior frequency, because:
 - Availability and declining cost of PCS equipment
 - Virtually all handsets in the marketplace are compatible with PCS frequencies
 - There is more spectrum in the marketplace now
 - Stricter build-out requirements in upcoming 700 MHz auction

Valuation – Historical AWS and PCS Values

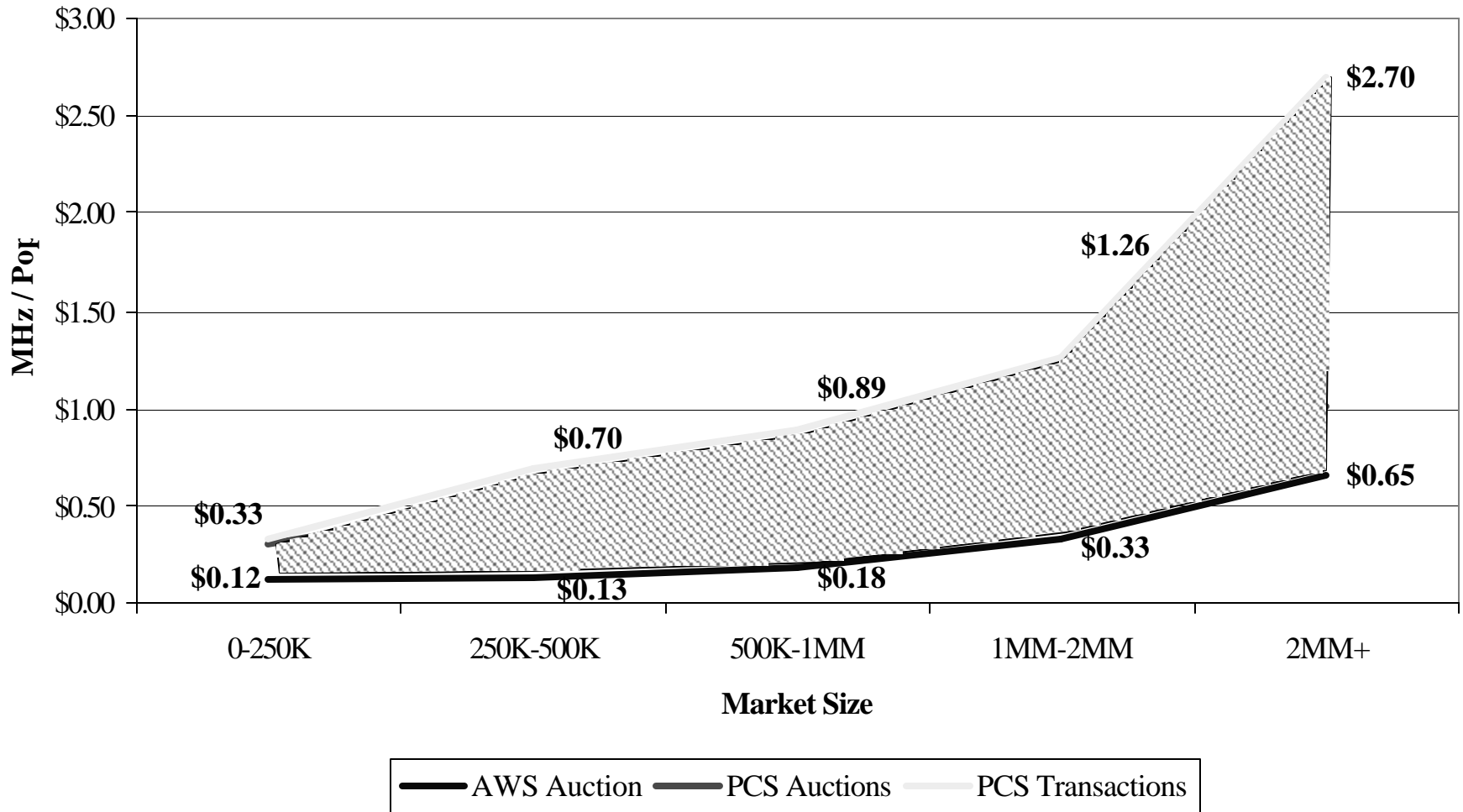
- Let's take a look at the data:

Weighed Average Price / MHz Pop

<u>Market Type</u>	<u>Population</u>	<u>AWS Auction</u>	<u>PCS Auctions</u>	<u>PCS Transactions</u>
Rural	0-250K	\$0.12	\$0.30	\$0.33
Small Metro	250K-500K	\$0.13	\$0.54	\$0.70
Metro	500K-1MM	\$0.18	\$0.60	\$0.89
Large Metro	1MM-2MM	\$0.33	\$0.80	\$1.26
Urban	2MM+	\$0.65	\$1.01	\$2.70

Valuation – Likely Range of Values

AWS Auction vs. PCS Auctions & PCS Market Transactions

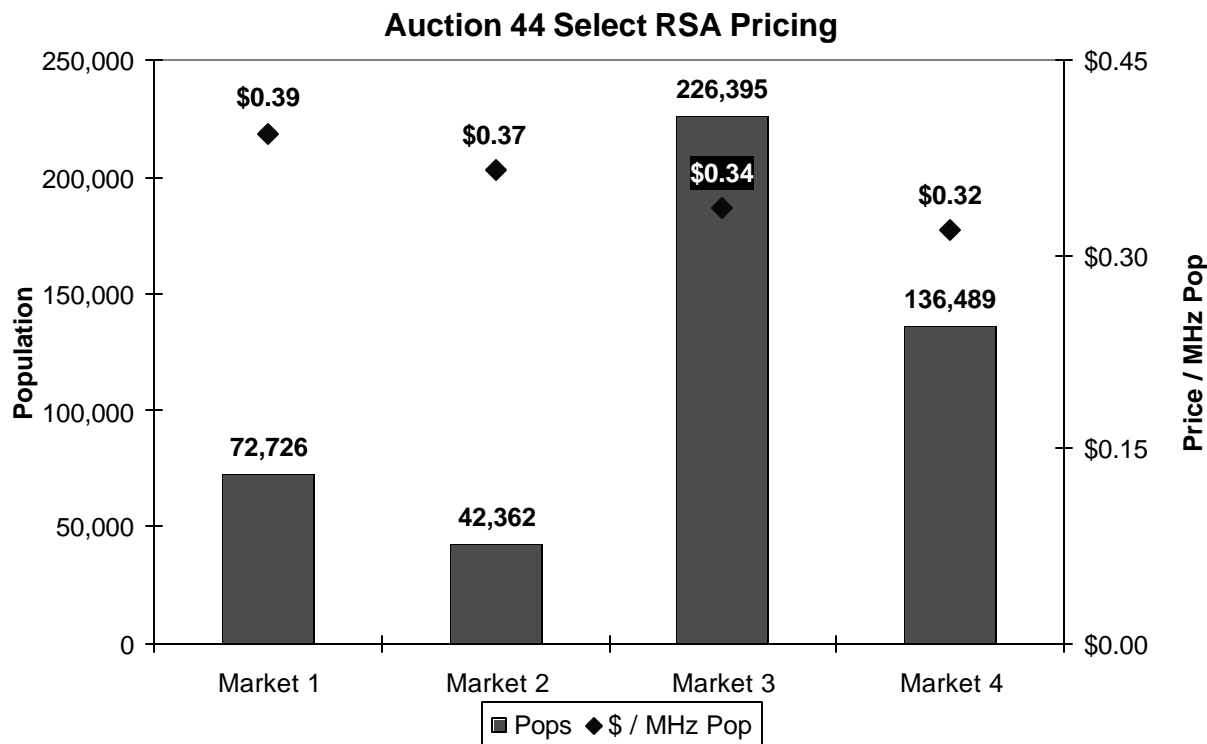


Valuation – Price Variation

- Pricing is market-dependent
 - Two markets of the same size (population) can sell for very different prices
- There are many factors outside of population that can impact value:
 - Number of buyers
 - Licenses in “fragmented” markets sell for more
 - Demographic Trends
 - Proximity to Urban areas
 - Highways, attractions and topography

Valuation – Previous Lower 700 MHz auction

Top four markets by price paid per MHz pop in original 700 MHz auction
(A44) 8/27/2002 – 9/18/2002:



Anomaly: Five most expensive markets (\$/MHz Pop) in A44 were RSAs

Valuation – Final Thoughts . . .

- What we have seen so far in the secondary market:
 - Falkenberg Capital is currently selling 45 Lower C-Block licenses for numerous clients
 - Pricing for ALL rural markets is at a premium to AWS and a discount to PCS
 - Urban markets are tracking fairly close to AWS
- What is it worth to YOU?
 - Develop a business plan specific to your planned application or use
 - Price equipment and use conservative penetration rates
 - Based on your required return, you should be able to “back into” a maximum price that makes economic sense