



FCC AUCTION

Regional Narrowband Personal Communications Service (PCS)

**Bidder's Information Package
October 26, 1994**



OFFICE OF
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

August 22, 1994

Dear Potential Bidder:

Thank you for expressing an interest in the FCC's auction of spectrum for narrowband Personal Communications Services (PCS). This year, for the first time, the FCC will be using the auction process to allow people to use the airwaves for new and creative businesses.

During the week of July 25, 1994, the FCC held the first spectrum auctions ever, for nationwide narrowband PCS licenses and licenses for Interactive Video Data Service (IVDS). On October 26, 1994, the FCC will begin the narrowband PCS auction for the 30 regional narrowband PCS licenses. This Bidder's Information Package will prepare you for this October auction.

These auctions are just the beginning. In the future, the FCC will auction Major Trading Area (MTA) and Basic Trading Area (BTA) narrowband PCS licenses. The FCC will also be auctioning almost 2,100 licenses for broadband Personal Communications Services (PCS) and hundreds more licenses for IVDS.

I can't tell you what you should use this spectrum for and I can't tell you what you should pay to get it. That's all up to you. I can tell you that I think one of the most exciting events in the history of our country begins with this auction. And your participation begins with this information package.

I am confident that the auction method of selecting licensees will put the spectrum in the hands of those who most highly value the spectrum and who have innovative ideas for its use. In addition, Congress in authorizing the FCC to use the auction process, also required us to ensure that women, minorities and small businesses have a full opportunity to participate. The FCC has employed a range of different methods to meet this worthwhile goal. The prospect of enriching the face of our business with more diversity is one of the most exciting aspects of this process.

Again, thank you for your interest and for sharing our enthusiasm for the auction approach to allocating spectrum for the public good.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Reed E. Hundt", written in a cursive style.

Reed E. Hundt
Chairman

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Federal Communications Commission
Personal Communications Service Auction

Begins October 26, 1994

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**Summary of Licenses
to be Auctioned**

Summary of Licenses to be Auctioned

The following table lists by **Market Number** and **Frequency Block Number** the 30 Regional PCS Licenses grouped by category of license under each market number. All 30 licenses will be auctioned simultaneously.

Upfront
Payment

Market No. R-001 -- Northeast Region (Population 51,670,869)

Consists of the following MTAs:

New York, Boston-Providence, Philadelphia,
Pittsburgh, and Buffalo-Rochester

50 kHz channels paired with 50 kHz channels:

Frequency Block No. 1:	940.25-940.30 and 901.25-901.30 MHz;	\$103,342
Frequency Block No. 2:	940.30-940.35 and 901.30-901.35 MHz.**	\$103,342

50 kHz channels paired with 12.5 kHz channels:

Frequency Block No. 3:	930.55-930.60 and 901.7875-901.8000 MHz;	\$64,589
Frequency Block No. 4:	930.60-930.65 and 901.8000-901.8125 MHz;	\$64,589
Frequency Block No. 5:	930.65-930.70 and 901.8125-901.8250 MHz;	\$64,589
Frequency Block No. 6:	930.70-930.75 and 901.8250-901.8375 MHz.**	\$64,589

Market No. R-002 -- Southern Region (Population 51,817,584)

Consists of the following MTAs:

Charlotte-Greensboro-Greenville-Raleigh,
Washington-Baltimore, Atlanta,
Tampa-St. Petersburg-Orlando, Miami-Fort Lauderdale,
Richmond-Norfolk, Louisville-Lexington-Evansville,
Jacksonville, Nashville, Knoxville, and
Puerto-Rico-U.S. Virgin Islands

50 kHz channels paired with 50 kHz channels:

Frequency Block No. 1:	940.25-940.30 and 901.25-901.30 MHz;	\$103,636
Frequency Block No. 2:	940.30-940.35 and 901.30-901.35 MHz.**	\$103,636

**Upfront
Payment**

Market No. R-002 (cont.)

50 kHz channels paired with 12.5 kHz channels:

Frequency Block No. 3:	930.55-930.60 and 901.7875-901.8000 MHz;	\$64,772
Frequency Block No. 4:	930.60-930.65 and 901.8000-901.8125 MHz;	\$64,772
Frequency Block No. 5:	930.65-930.70 and 901.8125-901.8250 MHz;	\$64,772
Frequency Block No. 6:	930.70-930.75 and 901.8250-901.8375 MHz.**	\$64,772

Market No. R-003 -- Midwest Region (Population 52,089,042)

Consists of the following MTAs:

Chicago, Detroit, Minneapolis-St. Paul,
Cleveland, Cincinnati-Dayton, Milwaukee,
Indianapolis, Des Moines-Quad Cities, Columbus,
and Omaha

50 kHz channels paired with 50 kHz channels:

Frequency Block No. 1:	940.25-940.30 and 901.25-901.30 MHz;	\$104,179
Frequency Block No. 2:	940.30-940.35 and 901.30-901.35 MHz.**	\$104,179

50 kHz channels paired with 12.5 kHz channels:

Frequency Block No. 3:	930.55-930.60 and 901.7875-901.8000 MHz;	\$65,112
Frequency Block No. 4:	930.60-930.65 and 901.8000-901.8125 MHz;	\$65,112
Frequency Block No. 5:	930.65-930.70 and 901.8125-901.8250 MHz;	\$65,112
Frequency Block No. 6:	930.70-930.75 and 901.8250-901.8375 MHz.**	\$65,112

Market No. R-004 -- Central Region (Population 49,227,573)

Consists of the following MTAs:

Dallas-Fort Worth, Houston, New Orleans-Baton
Rouge, St. Louis, Denver, Memphis-Jackson,
Birmingham, San Antonio, Kansas City,
El Paso-Albuquerque, Little Rock, Oklahoma City,
Wichita, and Tulsa

Upfront
Payment

Market No. R-004 (cont.)

50 kHz channels paired with 50 kHz channels:

Frequency Block No. 1:	940.25-940.30 and 901.25-901.30 MHz; and	\$98,456
Frequency Block No. 2:	940.30-940.35 and 901.30-901.35 MHz.**	\$98,456

50 kHz channels paired with 12.5 kHz channels:

Frequency Block No. 3:	930.55-930.60 and 901.7875-901.8000 MHz;	\$61,535
Frequency Block No. 4:	930.60-930.65 and 901.8000-901.8125 MHz;	\$61,535
Frequency Block No. 5:	930.65-930.70 and 901.8125-901.8250 MHz;	\$61,535
Frequency Block No. 6:	930.70-930.75 and 901.8250-901.8375 MHz.**	\$61,535

Market No. R-005 -- Western Region (Population 47,751,651)

Consists of the following MTAs:

Los Angeles-San Diego, San Francisco-Oakland-San Jose,
Seattle (including Alaska), Phoenix, Portland,
Salt Lake City, Spokane-Billings, Honolulu,
American Samoa, and Guam-Northern Mariana Islands

50 kHz channels paired with 50 kHz channels:

Frequency Block No. 1:	940.25-940.30 and 901.25-901.30 MHz;	\$95,504
Frequency Block No. 2:	940.30-940.35 and 901.30-901.35 MHz.**	\$95,504

50 kHz channels paired with 12.5 kHz channels:

Frequency Block No. 3:	930.55-930.60 and 901.7875-901.8000 MHz;	\$59,690
Frequency Block No. 4:	930.60-930.65 and 901.8000-901.8125 MHz;	\$59,690
Frequency Block No. 5:	930.65-930.70 and 901.8125-901.8250 MHz;	\$59,690
Frequency Block No. 6:	930.70-930.75 and 901.8250-901.8375 MHz.**	\$59,690

Businesses owned by women and/or minorities will be eligible for a 40 percent bidding credit on all licenses designated by an () above.

Sources:

Population as of 4/1/90 Statistical Abstract of US Census 1993, p 822
1990 Census of Population and Housing:
Ponce, Aguadilla, Arecibo, Mayaguez, Puerto Rico
Rand McNally 1992 Commercial Atlas & Marketing Guide

Procedures, Terms and Conditions

PROCEDURES, TERMS AND CONDITIONS OF AUCTION

I. INTRODUCTION

The Federal Communications Commission ("FCC") plans to hold a simultaneous multiple round auction for 30 regional Personal Communications Service (PCS) licenses in the 900 MHz band ("narrowband PCS"). The auction will begin at 10:00 A.M. on Wednesday, October 26, 1994. Bidding will begin at 10:00 A.M. and end at 9:00 P.M. each day thereafter, unless otherwise announced, until bidding has closed on all licenses. The auction will be held in Washington, D.C. at a location to be announced in a future Public Notice. The FCC may offer bidders the option of submitting their bids from remote locations using a value added network (assuming the FCC is convinced of the operational integrity and security required for such a network). Applicants who are interested in the remote access bidding option should complete and return the FCC Auction Line Order Form included in Section 10 of this Bidder Package. Limited space will be available at the auction for members of the public to observe the auction.

Those wishing to participate in the auction must submit an FCC Form 175 in accordance with the FCC's rules and the instructions contained in these procedures terms and conditions. The FCC Form 175 must be transmitted pursuant to the instructions set forth in Section II.A.2 of these procedures, terms and conditions and must be received no later than 5:30 P.M. ET, Monday, September 26, 1994. Applicants are also required to submit an upfront payment (in U.S. dollars) calculated based on the maximum number of megahertz - pops (MHz-pops) upon which the bidder intends to bid in any single round of bidding. As detailed in Section VI of these procedures, terms and conditions, the upfront payment must be submitted by wire transfer or cashier's check payable to the Federal Communications Commission or "FCC" and must be received by the Mellon Bank in Pittsburgh, Pennsylvania no later than 11:59 P.M. ET, Wednesday, October 5, 1994.

The auction will be conducted by Tradewinds International, Inc. Prospective bidders must thoroughly familiarize themselves with the procedures, terms and conditions (collectively, "Terms"), contained in the Second Report and Order in PP Docket No. 93-253, FCC 94-61, 9 FCC Rcd 2348 (1994); the Third Report and Order in PP Docket No. 93-253, FCC 94-98, 9 FCC Rcd 2941 (1994); the Second Memorandum Opinion and Order in PP Docket No. 93-253, FCC 94-215, (released August 15, 1994); and the Third Memorandum Opinion and Order in PP Docket No. 93-253, FCC 94-219 (released August 17, 1994). Copies of these Orders are available for a fee by calling International Transcription Services, Inc. at (202) 857-3800. A copy of the Third Report and Order, the Third Memorandum Opinion and Order and the Second Report and Order rules ("Final "Rules") are included in this Bidder Information Package. **The Terms contained in the Commission Reports and Orders and in this Bidder Package are not negotiable.** Prospective bidders should review these auction

documents thoroughly prior to the auction to make certain that they understand all of the provisions and are willing to be bound by all of the Terms before making any bid.

II. BIDDER ELIGIBILITY

In order to be eligible to bid in the auction, bidders must submit (i) a short-form license application on FCC Form 175 (use of supplemental form 175-S is unnecessary) and (ii) an upfront payment in compliance with applicable FCC Rules and Regulations and as set forth below. As more fully described below, the status of applications will be announced in a series of Public Notices.

A. Short Form Application (FCC Form 175)

The FCC Form 175 must be received no later than 5:30 P.M. ET, Monday, September 26, 1994. Certain information necessary to complete FCC Form 175 for this auction, such as Market Numbers (i.e. regions) and Frequency Block Numbers, may be found in the "Summary of Licenses to be Auctioned."

1. Completion of Form 175

Applicants are required to complete all the items on the application. Applicants should carefully review §1.2105 (a) (2) (ii) and (viii) of the Final Rules which are included in the Bidder's Information Package, prior to completing the Form 175. In completing FCC Form 175, bidders should note the following:

a. Applicants should apply for all licenses they want to be eligible to bid on in the auction. Bids will not be accepted for licenses for which an applicant has not applied on its FCC Form 175. If you want to be eligible to bid on all thirty licenses you should apply for all thirty licenses.

b. In item 6 of FCC Form 175, Auction No., applicants should enter "3".

c. Item 7 requires applicants to create a ten digit FCC Account Number, which the Commission will use to identify and track applications. Applicants must create this FCC account number by using their taxpayer identification number (TIN) with a prefix of "0", i.e., 0123456789. If, and only if, an applicant does not have a taxpayer identification number, the applicant may use its ten digit area code and telephone number (i.e., 5552345678). Each applicant must use this same number when submitting additional information or material regarding its application, including any required auction deposits or payments submitted to the Commission on FCC Remittance Advice, (i.e. use the same number for the Form 175 and the FCC Account Number on FCC Form 159). This number must be used whenever an applicant writes, calls, or otherwise inquires about its application. Applicants will also need this number to register for the auction.

d. Items 9 and 10 will be used to determine whether the applicant is claiming eligibility for any provisions established for small businesses and businesses owned by minorities and women. The eligibility requirements and specific provisions are set forth in the Third Report and Order and in the Third Memorandum Opinion and Order.

e. In Item 11, applicants should identify the Market Number and Frequency Block Number for each narrowband PCS license on which they want to bid. The Market Number for each region and the Frequency Block number for each license is listed in the "Summary of Licenses to be Auctioned". Applicants should list the Market Number for each region they are interested in bidding on in the first column labeled "Market No." Across from the Market Number in Item 11 applicants should put an "X" below the Frequency Block No. associated with each license they expect to bid on within that region.

f. In Item 12, applicants should list the name(s) of the person(s) authorized to represent them at the auction. Only those individuals listed in item 12 will be authorized to register and place bids for the applicant at the auction.

g. Applicants should read the "Certifications" listed on the FCC Form 175 carefully before signing the application. These certifications help to ensure a fair and competitive auction and require, among other things, disclosure to the Commission of certain information on applicant ownership and agreements or arrangements concerning the auction. **Submission of a false certification to the Commission may result in penalties, including monetary forfeitures, license forfeitures, and ineligibility to participate in future auctions, and/or criminal prosecution.**

h. Section 24.413 of the Commission's Rules requires applicants to submit certain ownership information as an exhibit to their FCC Form 175 application. Specifically, applicants must attach:

(i) A list of its subsidiaries, if any. Subsidiary means any business five per cent or more of whose stock, warrants, options or debt securities are owned by the applicant or an officer, director, stockholder or key management personnel of the applicant. This list must include a description of each subsidiary's principal business and a description of each subsidiary's relationship to the applicant.

(ii) A list of its affiliates, if any. Affiliates means any business which holds a five per cent or more interest in the applicant, or any business in which a five per cent or more interest is held by another company which holds a five per cent interest in the applicant (e.g. Company A owns 5% of Company B and 5% of Company C; Companies B and C are affiliates). We note that this affiliation definition is more comprehensive than the affiliation rules adopted for determining compliance with our designated entity rules. All applicants must follow this 5% standard, however, for purposes of completing the Form 175 application.

(iii) A list of the names, addresses, citizenship and principal business of any person

holding five per cent or more of each class of stock, warrants, options or debt securities together with the amount and percentage held, and the name, address, citizenship and principal place of business of any person on whose account, if other than the holder, such interest is held. If any of these persons are related by blood or marriage, include such relationship in the statement.

(iv) In the case of partnerships, the name and address of each partner, each partner's citizenship and the share or interest participation in the partnership. This information must be provided for all partners, regardless of their respective ownership interests in the partnership. A signed and dated copy of the partnership agreement must be included in the application.

i. Applicants must attach an exhibit identifying all parties with whom they have entered into any consortium arrangements, joint ventures, partnerships or other agreements or understandings which relate in any way to the competitive bidding process.

j. Microfiche copies of the FCC Form 175 are required for all submissions in excess of five pages in accordance with section 24.406(e) of the Commission's rules.

Failure to sign the FCC Form 175 or to submit the required ownership information will result in dismissal of the application and inability to participate in the auction. Only original signatures will be accepted.

2. Where to Send the FCC Form 175

In order to be eligible to bid, an FCC Form 175 application must be received by 5:30 P.M., ET on Monday, September 26, 1994. Late applications will not be accepted. Applications should be submitted either by hand delivery, certified U.S. mail (return receipt requested) or private courier. Whether mailed, hand delivered or sent by private courier, applications must be addressed to:

Tradewinds International, Inc.
General Aviation Terminal, Hanger 7
No. 7 Thomas Avenue
Washington National Airport
Washington, D.C., 20001
(202) 637-3221
Attention: Narrowband PCS Processing

Applications will not be accepted if delivered to any other location.

3. Application Fee

No application fee or FCC Form 159 need accompany the FCC Form 175 for the auction.

4. Procedures after FCC Form 175 Applications are filed and Process for Minor Corrections.

After the deadline for filing FCC Form 175 applications has passed, the Commission will process all applications to determine whether they are acceptable for filing. The Commission will issue a Public Notice listing all applications which are accepted for filing, rejected, and those which have minor defects that may be corrected. The Public Notice will also announce the deadline for filing corrected applications. **As described more fully in the Commission's general auction rules, applicants may only make minor corrections to their FCC Form 175 applications. Applicants will not be permitted to make major modifications to their applications. Failure to sign an FCC Form 175 or failure to submit the ownership information required by Section 24.413 of the FCC's rules cannot be corrected and will cause the application to be dismissed and the applicant to be ineligible to participate in the auction. See Section 1.2105 of the Commission's Rules. 47 C.F.R. 1.2105.**

After the deadline for resubmitting corrected applications the Commission will release another Public Notice announcing all applications that have been accepted for filing, including applicants who have corrected defective applications.

B. Upfront Payments

In order to be eligible to bid at the auction, applicants must submit an upfront payment together with an FCC Form 159 in accordance with the Instructions for Making Auction Payments contained in Section VI of these Procedures, Terms and Conditions. Payment must be made in U.S. dollars and must be received by 11:59 P.M. ET, Wednesday, October 5, 1994 in accordance with the terms and procedures set forth below and in the Commission's Rules.

The upfront payment must be submitted by wire transfer or cashier's check payable to the "Federal Communications Commission" or "FCC". Wire transfer instructions and the delivery address are described below in Section VI. "Instructions for Making Auction Payments." Cashiers checks must be drawn on a bank whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). **Failure to deliver the upfront payment in a timely manner will result in dismissal of the application and inability to participate in the auction.**

The upfront payment submitted by each applicant will define the maximum amount of MHz-pops (and associated licenses) on which the applicant will be permitted to bid in any single round of bidding. The number of MHz-pops associated with a license is calculated by multiplying the population of the license service area by the amount of spectrum authorized by the license. In each round bidders will be limited to bidding on licenses encompassing no more than the number of MHz-pops covered by their upfront payment. The upfront payment, however, is not attributed to specific licenses, but only to the total amount of MHz-pops upon which a bidder wishes to bid on in a single round of bidding.

The upfront payment is calculated based on \$0.02 per MHz-pop for the largest combination of MHz-pops upon which a bidder intends to bid in a single round of bidding. The upfront payment associated with each license is listed in the attached "Summary of Licenses to be Auctioned." In order to calculate the appropriate upfront payment amount each bidder must determine the combination of licenses with the greatest number of MHz-pops on which it may want to bid in any single round of bidding. For example, if a bidder wants to be eligible to bid on any of the 50/50 kHz licenses in any region, but does not intend to bid on any more than two licenses at a time in a single bidding round, it must submit an upfront payment equal the \$208,358 (2 times the upfront payment amount for the 50/50 kHz licenses in Market No. R-003 -- Midwest Region, which is the region with the largest population). This amount would enable the bidder to bid on any two of the 50/50 kHz licenses, in any region in a single bidding round.

The minimum acceptable upfront payment is \$59,690. An applicant who submits an upfront payment of \$59,690 would be eligible to bid only on one of the 50/12.5 kHz license in Market No. R-005 -- Western Region, in each bidding round.

No later than five (5) business days before the auction, the Commission will issue a Public Notice announcing all qualified bidders for the regional narrowband PCS auction. Qualified bidders are those whose FCC Form 175 applications have been accepted for filing and who have timely submitted their upfront payment.

C. REGISTRATION

On-site Registration

Each applicant will be required to have one of their authorized representatives identified on the FCC Form 175 register for the auction. On-site registration will be held from 1:00 P.M. to 9:00 P.M. on Tuesday, October 25, 1994 and from 8:00 A.M. to 9:30 A.M. on Wednesday, October 26, 1994. The location for on-site registration will be announced in a future Public Notice. A bidder identification number, login code and password will be provided to each qualified applicant during the on-site registration. All applicants registering on-site will be required to submit two forms of identification, one form of photo identification (e.g., a valid drivers license or passport) and one additional form of identification.

Registration for Remote Access Bidders

Applicants who are interested in the remote access bidding option should complete and return the FCC Auction Line Order Form enclosed in Section 10 of this Bidder Package. If the FCC decides to offer the remote access bidding option applicants who have submitted this Order Form will not be required to register in person. As described more fully below, applicants may indicate on the Order Form that they would like delivery of their Auction Line set-up kit by Federal Express or UPS overnight. The set-up kit, login code and password will

only be delivered to the applicant at the applicant address specified on the FCC Form 175 application. Applicants may have one of their authorized representatives indicated on their FCC Form 175 application pick up their set-up kit, login code and password, Monday through Friday, 9:00 A.M. to 6:00 P.M. at the following location :

FCC AUCTION LINE
c/o Business Information Network
9400 Livingston Road, Suite 420
Ft. Washington, MD 20744
(800) 366-9246

All representatives will be required to submit two forms of identification, one form of photo identification (e.g., a valid drivers license or passport) and one additional form of identification before they will be given the set-up kit. Bidder identification numbers will be provided to all qualified applicants prior to the auction by the method specified on the applicant's FCC Auction Line Order Form. In order to facilitate communications between prospective bidders and the FCC, we recommend that all applicants who are interested in the remote access bidding option designate at least one individual who is present in Washington, D.C. as one of their authorized representatives on their form 175 application.

III. AUCTION EVENT AND BIDDING ROUNDS

The Auction will begin at 10:00 A.M. on Wednesday, October 26, 1994 and bidding on that day will end at 9:00 P.M. Bidding will begin at 10:00 A.M. and end at 9:00 P.M. each day thereafter, unless otherwise announced, until bidding has closed on all licenses.

Generally bids will be submitted once every hour. The Commission may increase or decrease the amount of time for bid submission and bid withdrawal as well as the length of the bidding day depending upon the bidding activity level and aggregate amount of the high bids.

IV. AUCTION PROCEDURES

The regional narrowband PCS licenses will be awarded through a simultaneous multiple round auction. High bid amounts will be posted at the end of the bid submission period in each round of bidding. There will be a bid withdrawal period following the announcement of the high bids in each bidding round.

A. Number of Licenses that May be Acquired

Narrowband PCS applicants will be permitted to aggregate up to a maximum of three 50 kHz licenses, paired or unpaired, (i.e., no more than 150 kHz in any one direction) in any geographic area. This limit is based on the total spectrum in a licensee's nationwide, regional and local licenses at any geographic point (excluding the BTA response channel licenses).

B. Bid Submission and Withdrawal Procedures

1. Bid Submission

Bidders will be able to place their bids at the auction site. Bidders may also be allowed to place their bids by remote access, (assuming the FCC is convinced of the operational integrity and security required for such a network). Each bidder will be required to log-in to the computer using an assigned, confidential password unique to that bidder and must provide a bidder number and FCC account number in order to place or withdraw a bid. Each bidder may bid only one time in each round. All accepted bids for each license, the minimum bid increment and the minimum valid bid amount for the next round will be announced at the conclusion of the bid withdrawal period in each round. Bidders may receive a hard copy or electronically downloaded bid confirmation after they have submitted their bids.

2. Bid Withdrawals

A high bidder who wants to withdraw one or more of its high bids during the course of the auction may do so subject to the bid withdrawal penalty specified in the Third Report and Order at ¶ 49-59. A high bidder who wants to withdraw a high bid may do so only during the bid withdrawal period following the announcement of the high bids in each round. If a high bid is withdrawn, the license will be offered (without a minimum bid increment) in the next round at the second highest bid price, which may be less than or equal to (in the case of tie bids) the amount of the withdrawn bid. The FCC will be identified as the high bidder on withdrawn licenses until a new valid bid is submitted on that license. In addition, to prevent a bidder from strategically delaying the close of the auction, the FCC retains the discretion to limit the number of times that a bidder may re-bid on a license from which it has withdrawn a high bid.

C. Minimum Bid Increments and Tie Bids

The minimum bid increment is the amount or percentage by which a bid must be raised above the previous high bid in order to be accepted as a valid bid in the current round. Generally, the amount of the minimum bid increment will be reduced in each stage of the auction based on the following formula:

<u>Stage</u>	<u>Greater of</u>	
	<u>Percent of High Bid</u>	<u>Amount Per MHz-Pop</u>
Stage One	5%	\$0.020
Stage Two	2%	\$0.010
Stage Three	1%	\$0.005

However, the FCC may within its discretion raise or lower the amount of the minimum bid

increment at any time during the auction depending on the level of bidding activity and the aggregate amount of the high bids. The FCC expects to raise significantly the amount of the minimum bid increment in the early rounds of the auction when bidding activity is high and to lower the amount of the minimum bid increment in later rounds as the number of active bidders declines. The amount of the minimum bid increment for each license will be announced along with the high bids from the preceding round. If the Commission modifies the minimum bid increment, it would expect to raise the amount early in the auction and lower it towards the end of the auction. Generally, the Commission would only raise the minimum bid increment to increase the pace of the auction if there is a high level of bidding activity. The Commission would generally only lower the amount of the minimum bid increment when bidding activity lessens and the auction appears to be nearing a close. The lowering of bid increments in this situation would allow bidders to express small differences in valuations.

Tie bids will be awarded based on the order in which bids are received by the Commission, starting with the earliest bid. Each bid will be date and time stamped when it is entered into the computer system.

D. Activity Rule

In order to ensure that the auction closes within a reasonable period of time and to increase the amount of information conveyed by bid prices during the auction, the Commission will impose an activity rule to discourage bidders from waiting until late in the auction before actively participating. The activity rule provides for three stages with increasing levels of activity required in each stage.

A bidder will be considered "active" on a license if it is either the high bidder from the previous round or the bidder submits a bid which exceeds the previous round's high bid by at least the amount of the announced minimum bid increment. The activity levels required in each stage of the auction are as follows:

Stage One: During the first stage of the auction, a bidder who wishes to maintain its current eligibility is required to be active on licenses encompassing at least one-third of the MHz-pops for which it is eligible. Failure to maintain the requisite activity level will result in a reduction in eligibility, *i.e.*, the amount of MHz-pops upon which a bidder may bid in a future round of bidding. During the first stage bidders will lose three MHz-pops in eligibility for each MHz-pop below the minimum required activity level.

Stage Two: In the second stage, a bidder who wishes to maintain its current eligibility is required to be active on two-thirds of the MHz-pops for which it is eligible. Failure to maintain the requisite activity level in stage two will result in loss of 1.5 MHz-pops in eligibility for each MHz-pop below the minimum required activity level.

Stage Three: In the third stage, a bidder who wishes to maintain its current eligibility is required to be active on licenses encompassing 90% of the MHz-pops for which it is eligible. Failure to maintain the requisite activity level in stage three will result in loss of 1.11 (1 1/9th) MHz-pops in eligibility for each MHz-pop below the required activity level.

The auction will begin in stage one and the FCC may within its sole discretion determine and announce during the course of the auction when and if it will move the auction from stage one to stage two and from stage two to stage three based on a variety of measures of bidder activity (e.g., the percentage of licenses on which there are new bids, the number of new bids and the percentage increase in revenue). The FCC will notify bidders at least one round in advance before moving the auction into the next stage.

Bidders will be permitted one waiver from the activity rule in each stage of the auction. An unused waiver cannot be carried over to a subsequent auction stage. An activity rule waiver applies to an entire round of bidding and not to a particular license. Automatic waivers will retain a bidder's eligibility from the previous round even though its bidding activity in the current round falls below the required level. Bidders may override the automatic waiver mechanism when they place a bid if they have intentionally reduced their bidding eligibility and do not want to waste a waiver. If a bidder overrides the automatic waiver mechanism, its eligibility will be permanently reduced and it will not be permitted to regain its bidding eligibility from a previous round. An automatic waiver invoked in a round in which there are no new valid bids will not keep the auction open.

Bidders will have the option of proactively entering a waiver during the bid submission period. Under the Commission's activity rule waiver procedures, if the FCC enters an automatic activity rule waiver for a bidder in a round in which no bidding activity occurs and no proactive waivers are submitted, **the auction will close**. If a bidder submits a proactive waiver in a round in which no other bidding activity occurs, **the auction will remain open**. Therefore in the later rounds of the auction, if a bidder does not intend to bid but wants to ensure that the auction does not close, it should enter a proactive waiver in place of a bid. The submission of a proactive waiver under these circumstances will prevent the auction from closing.

E. Stopping Rules

Bidding will generally remain open on all licenses until bidding stops on every license. The auction will close if one round passes in which no bidder submits a new acceptable bid on any license or a proactive waiver. Thus, bidding will stop on all licenses simultaneously.

The Commission, however, may declare at any time after 20 rounds that the auction will end after one additional round (or some other specified number of rounds). If the Commission imposes this stopping rule, it will accept bids in the final round(s) only for licenses on which the highest bid increased in at least one of the preceding three rounds.

The Commission does not intend to exercise this option except in extreme circumstances such as where the auction is proceeding very slowly, there is minimal overall bidding activity and it appears unlikely that the auction will close within a reasonable period of time. Before exercising this option, however, the Commission would first attempt to increase the pace of the auction by announcing that the auction will move into the next stage, where bidders would be required to maintain a higher level of bidding activity. Under these circumstances, the Commission may also first increase the number of bidding rounds per day and increase the amount of the minimum bid increments for those limited number of licenses (and close substitutes) where there is still a high level of bidding activity.

F. Default and Disqualification Penalties

Any high bidder who defaults by failing to remit the required down payment described below within the prescribed time or is disqualified after bidding is declared closed will be subject to the penalties described in Section 24.304 of the Commission's Rules. 47 C.F.R. § 24.304. In addition, if a default or disqualification involves gross misconduct, misrepresentation or bad faith by an applicant, the Commission may declare the applicant and its principals ineligible to bid in future auctions, and may take any other action that it deems necessary, including institution of proceedings to revoke any existing licenses held by the applicant. See Second Report and Order at ¶ 198.

G. Releasing Bidder Identities

Bidders' identities and bidder identification numbers will be disclosed prior to the auction so that bidders will know in advance of the auction the identities of the bidders against whom they are bidding.

H. Electronic Access to Auction Data

The FCC will make all bids in each round available on the Internet network. Interested parties can download the high bids and all bids submitted in each round by accessing the FCC Internet node via anonymous FTP @fcc.gov. The round results and other auction announcements will be available in both ASCII text and DBF formats through the FCC Auction Line described in Section 10 of this Bidder's Information Package.

V. POST-AUCTION PROCEDURES FOR HIGH BIDDERS

A. Down Payment

The winning bidder for each license must submit sufficient additional funds (a "down payment") to bring the amount of money on deposit with the government to 20% of their winning bid amount within five (5) business days after the high bidders are announced. Winning bidders that are qualified small businesses are required to submit additional funds necessary to bring the amount on deposit with the government up to 10% within five (5)

business days after the high bidders are announced, with an additional 10% due within five (5) business days after grant of the license. **No interest will be paid on any funds on deposit.**

B. Submission of Long Form Application (FCC Form 401) and Award of Licenses

As detailed in the narrowband PCS and general auction rules, winning bidders must timely submit a properly completed FCC application for a narrowband PCS license (FCC Form 401) within ten (10) business days after the high bidders are announced. The FCC Form 401 must be sent to:

Office of the Secretary
Federal Communications Commission
1919 M St., N.W., Room 222
Washington, D.C. 20554
(202) 418-0300
Attention: Auction Application Processing Section

Once a high bidder has submitted its down payment and filed the FCC Form 401 long form application, the Commission will release a Public Notice announcing the auction winner for each license. The release of this Public Notice will trigger the initiation of the petition to deny process where other interested parties will have the opportunity to file petitions challenging an auction winner's qualifications to become a licensee.

After its review of the FCC Form 401 and the Petition to Deny process, the Commission will determine whether there are any reasons why the license should not be granted; if there are none, it will grant the license. Winning bidders will be required to pay the remainder of the winning bid amount within five (5) business days after grant of the license. All license grants will be conditioned on timely payment in full of the bid price. Qualified small businesses will be permitted to pay the remaining 80% of their winning bid amount in installments over the term of the license.

C. Delay, Suspension or Cancellation of the Auction

The Commission may by Public Notice or announcement during the auction, delay, suspend or cancel the auction in the event of natural disaster, technical obstacle, evidence of an auction security breach, unlawful bidding activity, administrative necessity, or for any other reason that affects the fair and competitive conduct of competitive bidding. In such cases, the Commission may, in its sole discretion, resume the auction starting from the beginning of the current or some previous round or may cancel the auction in its entirety.

VI. INSTRUCTIONS FOR MAKING AUCTION PAYMENTS

All payments must be made in U.S. dollars, must be in the form of a wire transfer or cashier's check, and must be made payable to the "Federal Communications Commission" or "FCC".

All payments, whether being paid by wire transfer or cashier's check, must be accompanied by a completed FCC Remittance Advice, Form 159. A sample FCC Remittance Advice, Form 159 is included in the Bidder's Information Package, as discussed below.

A. FCC Remittance Advice, Form 159

High bidders must submit an FCC Form 159 when making any payments to the Commission's lockbox bank. The purpose of the FCC Form 159 is to identify to the FCC who is paying, how much they are paying and for what they are paying. It allows the bank to accurately process your remittance. **Failure to accurately complete your FCC Form 159 could result in a delay in processing your remittance.**

Before completing an FCC Form 159, read the "Instructions For Using FCC Form 159 in the Bidder's Information Package.

1) You must complete all of the blocks in the Payor Information Section, (Blocks 1 through 10).

2) You must complete the following blocks for each "Item Number Information" in accordance with the Instructions For Using FCC Form 159 (Only if the name of the "payor" and the name of the "applicant" are different): Block numbers 11, 13, 19, 20, and 21.

3) You must complete the following "**unique**" information in blocks 14 and 17. Block numbers 14 and 17 will be used to identify the particular auction event in which you are participating. FCC Code 1 (Block 17) corresponds to the Auction Event Number indicated on the Public Notice which announced the auction event. The auction event number for this auction is 3.

Block 14 (Payment Type Code): **ACGC**

Block 17 (FCC Code 1): **3**

B. Making Auction Payments by Cashier's Check

Each cashier's checks and corresponding FCC Remittance Advice, Form 159 must be in an individual envelope and specifically addressed to: Mellon Bank, P.O. Box # 358850, Pittsburgh, PA 15251-5850, Attention: Auction Payment.

If delivering an auction payment in person or by courier, the check and FCC Remittance Advice, Form 159 must be delivered to: Mellon Bank, 3 Mellon Bank Center, 525 William Penn Way, Pittsburgh, PA 15259-001, (202) 418-1995, Attention: Wholesale Lockbox Shift Supervisor, 27th Floor (153-2713)

C. Making Auction Payments by Wire Transfer

If making an auction payment by wire transfer, fax a completed FCC Remittance Advice, Form 159 to Mellon Bank at (412) 236-5702 within one hour prior to placing the order for the wire transfer. On the cover sheet of the fax indicate "Wire Transfer - Auction Payment for Auction Event #3. When submitting funds by wire transfer, fill in the information as follows:

ABA Routing Number: 043000261

Receiving Bank: Mellon Pittsburgh

BNF: FCC/AC--9116106f

OBI Field: (Skip one space between each information item)

"AUCTIONPAY"

FCC ACCOUNT NO. (Exactly as on Form 159, Block #1)

PAYMENT TYPE CODE (Exactly as on Form 159, Block #14)

FCC CODE 1 (Exactly as on Form 159, Block #17)

PAYOR NAME (Exactly as on Form 159, Block #3)

For further information, please direct any questions to Regina Dorsey, Chief, Billings and Collections Branch at (202) 418-1995.

VII. BIDDER ALERT

The Terms contained in the Commission Reports and Orders, Public Notices and in this Bidder Package are not negotiable. Prospective bidders should review these auction documents thoroughly prior to the auction to make certain that they understand all of the provisions and are willing to be bound by all of the Terms before making any bid.

All applicants must certify under penalty of perjury on their FCC Form 175 that they are legally, technically and financially qualified. Prospective bidders are reminded that submission of a false certification to the Commission is a serious matter that may result in severe penalties including monetary forfeitures, license revocations, being barred from future auctions, and/or criminal prosecutions.