

Pacific Data Vision
06/13/16
4:45 PM EST

OPERATOR: Good afternoon ladies and gentlemen and welcome to the *PDV Wireless, 4th Quarter Update and Year End Conference Call*. At this time all participants have been placed on a listen only mode and we will open the floor for your questions and comments after the presentation. It is now my pleasure to turn the floor over to your host, John Pescatore. Sir, the floor is yours.

MR. PESCATORE: Thank you. Good afternoon everyone and welcome to PDV Wireless' earnings call for the 4th. quarter and full year 2016. Joining me today to discuss our results are Brian McAuley our Chairman, Morgan O'Brien our Vice Chairman, Tim Gray our Chief Financial Officer and Robert Schwartz, our Chief Strategy and development Officer.

Before we begin, I'll hand it over to Tim to remind us of a few important items.

MR. GRAY: Thanks John. Before we begin the substance of today's call, I'd like to make some brief introductory comments. Earlier today we issued a press release announcing the financial results for our 4th. quarter and fiscal year ended March 31, 2016. If anyone has not yet had the opportunity to review this press release it is available on the PDV Wireless corporate website at www.pdvwireless.com and it is also available on the FCC's website. Additionally, I'd like to remind our listeners that this conference call is open to the public and a recording of our discussion will be available on the company's website.

During this call, we will discuss some factors and matters that are likely to influence our business going forward, including statements related to regulatory issues, expected market launches, customer acceptance of our service offerings and our spectrum initiatives. Any matters discussed today that are not historical facts constitute forward looking statements. These forward looking statements are subject to risks and uncertainties, including those found in the risk factors section of our filings with the FCC which could cause our actual results to differ materially from those suggested by our forward looking statements. As a result, you should not place undue reliance on these forward looking statements. We encourage all of our listeners to review our FCC filings, including our annual report on form 10-K which we plan to file today for a more complete description of these risks and uncertainties.

We undertake no obligation to revise or update these forward looking statements to reflect events or circumstances after the date hereof. In addition, the financial information we plan to discuss on this conference call includes a non-GAAP financial measure, adjusted EBITDA. The company defines adjusted EBITDA as net income or loss, with adjustments for depreciation and amortization, interest income or expense net, income taxes and stock based compensation. We use adjusted EBITDA to evaluate the company's performance and to provide this financial measure to investors as a supplement to the company's reported results; because we believe

this information provides additional insight into the company's operating performance by disregarding certain non-recurring items or items that are not reflective of the day to day offering of its services.

Adjusted EBITDA should not be considered in isolation, as a substitute for or as superior to financial measures calculated in accordance with GAAP and the company's financial results calculated in accordance with GAAP and any reconciliation to those financial statements should be carefully evaluated. As appropriate, the most directly comparable GAAP financial measures and information reconciling these non-GAAP financial measures to the company's financial results, prepared in accordance with GAAP, are included in the earnings release which is posted on the company's website. Now, I'll turn it back to John.

MR. PESCATORE: Thanks Tim. We have a lot of information to share today. We have made important progress this year on our three key business imperatives: developing and launching our DispatchPlus business, advancing the FCC regulatory process and developing our long term strategic plan. We are optimistic about the future. We continue to believe in the market opportunity for DispatchPlus and the merits of our broadband petition and are also focused on longer term strategic planning aimed at maximizing the value of our business opportunities in spectrum.

Among other updates, today we are going to discuss our view of where we believe we stand on the regulatory front. You will hear our frustration and disappointment in the process as we believe the next step at the FCC will be a notice of inquiry, or NOI. But more importantly, you will hear our steadfast belief in the merits of our joint petition and our ability to address any and all concerns that have been raised by those who have been opposed to the joint petition. That optimism has been formed by the collective experience of our management team and all the work that we've done and continue to do since the petition was filed in November of 2014. Morgan will provide more details on the regulatory process shortly.

We have a highly experienced management team with a passion for what we do and foresight that includes developing multiple paths forward. While you can never predict the future, you can anticipate challenges and uncertainty that come with building any business, including those that have a regulatory component and you can be prepared to adapt and overcome those challenges. We have come a long way since sharing our vision and plan with many of you just two years ago. That plan included a multi-pronged, phased approach to creating value for our shareholders and diversifying the risk associated with any individual prong. Phase one began with our DispatchPlus business, while phase two relates to our longer term plans for our spectrum and broadband. We'll discuss both today.

This is our year-end earnings call. As such, it is an opportunity to reflect and share our accomplishments during the fiscal year. We will also discuss the challenges and opportunities in front of us. I am proud of the team we've assembled and their achievements during the last year. We completed a follow-on public offering resulting in net proceeds of approximately 65-million dollars. We launched our next-generation dispatch service in 7 markets beginning in

June of last year. We built those networks within our previously announced capital and operating expense budget and the network is exceeding our expectations from a coverage and performance standpoint. We also launched our sales and marketing efforts, developing, training and supporting a network of close to 60 dealers across our market areas.

On the spectrum regulatory and strategy side of the business, we met with associations, incumbents and other interested parties in the 900-MHz proceedings, to understand their concerns about the petition and their needs as they relate to wireless communications and spectrum. We developed a more complete picture of the size and scope of the re-tuning contemplated by our petition. We analyzed potential solutions to the technology issues raised in the proceeding, using both internal and external experts to help form our conclusions and we remain optimistic that there are reasonable solutions to those issues.

We began working with vendors and evaluating and testing potential broadband equipment infrastructure and devices at 900-MHz and were pleased with the early results. We completed spectrum purchase or swap deals on an opportunistic basis across a number of major markets, increasing our spectrum position and essentially re-tuning a major utility in one of our most challenging markets. We launched a project aimed at developing additional customer opportunities in the critical infrastructure space using our spectrum in its current form.

We also decided to evaluate the FirstNet opportunity and have in the past few months, assembled a world class consortium of companies with recognized expertise in critical areas needed to satisfy the RFP requirements and build and operate a public safety broadband network. We collectively prepared and submitted a proposal to FirstNet by the May 31st. deadline. Finally, we began the development of PDV's strategic plan for phase-2, including our broadband opportunity. Now I'd like to turn it over to Morgan O'Brien, our Vice Chairman to provide an update on our joint petition and other spectrum initiatives.

MR. O'BRIEN: Thank you John. Good afternoon everyone. As John said, we'll start with an update on the regulatory process. We're now more than 18 months into the FCC's review of the joint petition for rule making we filed, in partnership with Enterprise Wireless Alliance to propose the realignment of a portion of the 900-MHz band from narrow-band to broadband. We continue to believe this proposed realignment is consistent with the FCC's past policies and practice; including its mandate to promote more efficient use of limited spectrum resources and its ongoing efforts to make additional spectrum available for broadband services.

These efforts always impact incumbents and in the ordinary course, the few incumbents always protest any change to the status quo. We have responded to all requests for information from the FCC and other interested parties and we're currently awaiting FCC action. There have been a lot of rumors about what the FCC might do and when they might do it; so I'd like to provide an update and be clear about what we think things stand today.

To our knowledge, the FCC has not reached a decision and we have no information on the content, scope or timing of any potential FCC action. That being said, we do now currently

think that the most likely next milestone in the process is that the FCC will issue a notice of inquiry; which is a means to gather additional information for the record. But again, whether or not and when the FCC may in fact issue a notice of inquiry or take other action, we don't know with any certainty.

Of course we are frustrated and disappointed, if in fact the most likely next step is an NOI rather than our requested NPRM. Most of you have heard me say in the past that the FCC always has unfettered discretion to proceed at a pace which it deems to be in the public interest, including building whatever record they think necessary before changing their rules.

If the FCC does issue an NOI, it could be to request additional information and input on the optimal use of the 900-MHz band generally or it could be to request information on specific issues and proposed solutions that have been raised. Or, it could be a combination of these or other matters of interest to them. We will not know for sure until the FCC actually makes the decision. I also want to be clear about what an NOI would not mean. It would not mean either that the FCC has denied our joint petition or that our joint petition will not ultimately result in an NPRM and thereafter the adoption of rules providing for a 900-MHz broadband allocation. We continue to believe in the merits of our proposal and that our joint petition is consistent with the FCC's stated priorities.

While waiting for the FCC, we have been actively pursuing a number of activities to advance the joint petition. For instance, we have analyzed the size and scope of the re-banding we're proposing and the news there is good. Nationally, occupying the 6-MHz we propose to clear, we find only about 60 large licensees out of a total of approximately 400 licensees. It is a much smaller task than previous re-bandings we've experienced. For purposes of comparison, when Sprint/Nextel cleared in equivalent size, 6-MHz a spectrum at 800-MHz, the total number of licensees was around a 1,000; that's versus our 400 here. Remember, PDV has the dominant 900-MHz LMR license position with about 60% of the 10-MHz band on average in the top-20 markets. And second, in the substantial number of remaining markets, other than PDV, two licenses have ever been issued and they remain vacant despite 30 years of availability.

We have made substantial progress on the technology issues raised in the proceedings. We and our third party experts think that we have clearly demonstrated that the necessary signal attenuation to avoid broadband interference with FCC compliant operations on adjacent narrowband frequencies can be achieved by filtering techniques and reasonable network build coordination measures; which we have committed to employ. We intend to continue working with incumbents to build consensus and to resolve concerns; both of which we believe are possible.

We have noted to several parties who oppose our joint petition that precedent exists in the adjacent 800-MHz band, our narrowband and broadband operations coexisting and directly abutting spectrum allocations. We have also noted that interference issues in that context were successfully addressed and embodied in adopted FCC rules that closely parallel those contained in our proposed rules. As we have conducted additional technical analysis, we

remain convinced that solutions exist through reasonable efforts and commercially available technologies to resolve all of the technical and operability concerns raised so far on the record. Under any circumstance, we will continue to urge the commission to act expeditiously on creating an additional broadband allocation. More broadband spectrum has been an objective Chairman Wheeler listed as a top priority as recently as January of this year.

I think that pretty thoroughly covers what we currently know about where our joint petition stands and the steps we're taking and I'm sure we'll get some questions about this. Before I hand it back over to John, I'd like to give a brief update on another matter.

We have the pleasure of announcing that we assembled a consortium of world class companies, with recognized expertise in the critical areas needed, to build and operate a public safety broadband network. We filed on behalf of that consortium a response to the FirstNet RFP by the May 31st. deadline. Perhaps it would be helpful to give a very brief description of the First Net opportunity.

The government intends to award an exclusive 25-year contract, including defined rights to use 20-MHz on a burge (ph) 700-MHz spectrum and 6.5-billion dollars of cash. That award goes to a single entity for the purpose of designing, building and operating a nationwide broadband public safety network. Intended users for that network include public safety personnel at all levels of government; federal, state and local. Importantly, the contractor has the exclusive right to sell excess capacity generated on the system, a specified fixed annual payment to FirstNet, analogous to annual rent for the spectrum; the only compensation due from the contractor in return for those rights. Although of course, the contractor also would be required to fulfill its network design build in operation obligations regarding the network; including funding the performance of those obligations, to the extent that the 6.5-billion to be supplied by the government is not sufficient for those purposes.

Although we understand that a number of other bidders, or bidder groups, are competing for the FirstNet opportunity, we determined that continuing to explore this opportunity via the RFP process was in our shareholders' best interest; because of a number of benefits to the company. And independent of the outcome of the RFP process, synergies between the national, Nationwide Public Safety Broadband Network and our planned broadband facilities, could include the coordination of communications between our respective customer targets, first responders for the NPSBN as they call it, and critical infrastructure entities for our 900-MHz facilities; and a potential to share network deployment capital and operating costs.

In addition, we can directly utilize the business, technical and other information developed for the FirstNet proposal in planning and preparing for the broadband facilities that we plan to deploy. We also believe that we have access to skilled and experienced personnel and other resources well suited to pursuing opportunities involving the nationwide network.

The FirstNet RFP process is expected to continue for many months, with a November selection date currently targeted. Now that we have submitted our response to the RFP, our activities

will be primarily driven by questions or requests issued to us by FirstNet. Given that this is a competitive government RFP process, and it is governed by confidentiality restrictions, we do not intend to provide interim updates. I'm going to hand it back over to John.

MR. PESCATORE: Thanks Morgan. I'd now like to turn to our DispatchPlus business. During fiscal 2016, we made significant progress and we're continuing to take important steps to improve our results and ramp up the business. Last quarter we reported that we decided to focus our efforts on the 7-markets where we had already invested in infrastructure and had significant progress on deployment. As of today, although we're still working on a couple of initial sites in two of those markets, we've commercially launched our service in Houston, Dallas, Atlanta, Philadelphia, Chicago, the greater New York area and in Washington and Baltimore. The early results confirmed many of our assumptions about the business, including the number of initial sites required to launch and the capital required to build and deploy the networks, which on average is 10 to 12 initial sites and 1.5 to 2-million dollars per market. The networks are performing well and we've either expanded or are looking to expand coverage based on specific customer opportunities and/or our internal assessment of the market needs for additional coverage.

Right now, we have approximately 69 sites in service across our market areas. Through our growing customer base and sales funnel, we've also confirmed the demand for DispatchPlus across our targeted business verticals. And by the way, we've had no significant push-back on our \$30 per month service pricing that combines our state-of-the-art wide area digital 2-way service with our mobile workforce management solutions.

Further while it's still too early to project the future of these metrics, we do want to discuss some of them. We're seeing more than 50% of our accounts coming from cellular and most of the balance from traditional 2-way commercial or private radio systems. In addition, a substantial number of our customers and prospects are ordering or considering mobile radios for installation in their vehicles. This adds time to the sales cycle and fulfillment process but provides best-in-class, safer communications with better coverage over portable units.

Also as expected, turn has been minimal. To date, sales have been slower to ramp-up than our initial expectations for a variety of reasons, such as performance of our indirect channel, a longer initial sales cycle and coverage gaps in certain markets due to delays in our deployment of planned sites that were not or have not yet been completed. Initially we were pushing to get coverage into a market so that we could begin showing the dealer community and prospects our solutions. One learning is the importance of completing the initial build with the widest coverage to give our distribution team access to a larger opportunity base. While it remains true that the biggest challenges are limited to a few sites, we've had some markets where a delay to deploy an important site has impacted our ability to start selling in the entire market.

The dealers have been slow to ramp in part due to their focus on private systems and we are encouraging them to hire dedicated reps to focus on PDV solutions. While many have hired or are committed to hiring dedicated reps, it can take time and we are and have been taking steps

to improve our control over the sales process. On the positive front, those steps we're taking are leading to more sales prospects and the funnel is growing. On our last earnings call, we were at approximately 750 units in service. Today, we're at approximately 1,750 units in service. We are seeing increasing sales activity in customers in businesses such as school transportation services, private ambulance services, concrete companies and securities services.

Our sales and marketing initiatives and strategies are aimed at increasing sales and developing predictable sales funnel management processes. Some of these initiatives include using a broader range of sources and techniques to identify and target high-value, small and medium sized business customers that we believe will benefit from our service. We're increasing the focusing of our advertising and marketing efforts on communicating and emphasizing the benefits of our services to businesses in our targeted markets. One example of those efforts is our targeted email campaign. Over the last three or four months, we've sent close to half-a-million emails, specifically targeting businesses in our sweet spot. These campaigns include different messaging and designs as we look for what resonates best.

For example existing 2-way radio users, Motorola's brand may resonate or for cellular users, it might be location based solutions or our association with Nextel in the past. The bottom line is that we're trial-ing different approaches to find the ones that work best. Further, we're continuing to improve the functionality of our business bundle by developing and bringing to market innovative features that differentiate us from our competition. As the funnel grows, we have launched and are looking at additional incentive programs for our third party sales representatives and prospects to help reduce the sales cycle.

We're also augmenting our indirect approach with a targeted direct sales effort. In one market, we're building a business development direct-sales team and in the last 3 months we've committed to adding a limited direct sales resources in other markets. This effort is aimed at supporting our dealers by developing the best sales approach and case studies across specific verticals. Longer term, we're in the process of developing a centralized business development in a tele-sales team to increase the flow of qualified leads in sales across all of our market areas. And finally, we've begun to develop alternate sales channel strategies to identify new sources of sales and leads.

We plan to continue focusing efforts in our current markets, as we believe it's important to prove-out our business model and determine which sales and marketing approaches produce the best result before making any decision to move aggressively into new markets and to expend additional significant capital and operating expense. We have however prepared for the roll-out of DispatchPlus in more than 13 additional markets, by completing initial network designs and in some markets, pursuing site development efforts up through and including site lease negotiation. This will allow us to more quickly and effectively proceed with new market deployments when we determine the timing is right to do so. This approach will also provide us with additional time and financial flexibility to refine our longer term strategies; including those related to our broadband initiative. And with that, I'll turn it over to Tim to provide an update

on our financials.

MR. GRAY: Thanks John. I will review the key highlights to the company's financial results for the fourth quarter of fiscal year 2016. My review is not intended to replace the full financial disclosure enclosed in the company's annual report on form 10-K filed with the Securities and Exchange Commission today; and we encourage listeners to review that filing for additional information.

Revenue for the quarter ended March 31, 2016 was 951-thousand dollars; compared with 815-thousand dollars for the quarter ended March 31, 2015. For the fourth fiscal quarter, the company reported a net-loss of 6.8-million dollars, or negative 47-cents per share; compared with a net-loss of 5.6-million dollars, or a negative 44-cents per share the previous year.

The increase in revenue for the quarter is principally a result of the commercial launch of our DispatchPlus business. Cost of revenue for the three months ended March 31, 2016 was 1.7-million; an increase of 1.4-million from approximately 300-thousand for the three months ended March 31, 2015. The increase for the quarter is primarily due to costs to maintain our DispatchPlus networks; including personnel costs, site rent and maintenance.

Adjusted EBITDA for the fourth quarter was a negative 5.1-million dollars; as compared with a negative 3.3-million dollars the previous year. The increase in adjusted EBITDA losses in the fourth fiscal quarter over the prior year was due to the decrease in gross margin related to the operating costs of our network build-out.

The company has a strong cash position, with 153.5-million dollars available as of March 31, 2016. The company's intangible asset balance shows an increase of 3.4-million through the 12 months; which is the result of the closing of several deals to buy additional spectrum licenses and a spectrum exchange.

In the fourth quarter ended March 31, 2016, the company spent approximately 1.1-million dollars for the acquisition of equipment and design of its networks; and approximately 9.1-million dollars for the full fiscal year. I'll now turn it back over to John to conclude.

MR. PESCATORE: Thanks again Tim. As we discussed earlier, we now believe the FCC will issue a notice of inquiry. This would be an additional step in our regulatory process but it doesn't change our objectives. As you would expect the management team to do, we have contemplated various scenarios and given that our spectrum is at 900-MHz, we have options to deploy current solutions in either narrowband or wideband and then broadband with the approval of the petition.

With a strong nationwide spectrum position, we can address opportunities beyond voice dispatch. This includes the potential to offer secure and private access for machine to machine solutions within the industrial internet-of-things. We know that utilities have been early pioneers in IOT and have developed and deployed smart-meters and field area networks over

the past decade. Many of these systems are nearing the end of their useful life. We actually began an initiative months ago aimed at these utilities. Our goal has been to continue to develop a deeper understanding of their current and projected needs for communications services, as well as to develop a commercial wideband offering for their field area networks. We are still evaluating this opportunity, utilizing our existing spectrum and available technology solutions to provide flexibility to meet their current requirements while potentially providing a path to broadband.

We have begun testing equipment with our spectrum in our lab in San Diego, along with beginning discussions with utilities, integrators and technology providers. In the future, we see strong opportunities for PDV to serve the converging communication needs of larger enterprise and critical infrastructure; including voice and data services. We believe our private spectrum position and prioritized network services can provide a more robust service offering that would be better suited to mission critical, high value applications. We will continue to invest in this planning process and activities in parallel to the pursuit of our regulatory initiative and to the development of our DispatchPlus business.

In closing, we are focused on creating shareholder value and we believe there are a number of paths that will yield significant opportunities. Our balance sheet and cash position remain strong, we have on average and the most of the largest US market's 6-MHz of nationwide spectrum acquired at a very attractive price and we will continue to enhance our sales and marketing programs to drive our near term DispatchPlus business. In spite of the challenges ahead, we are optimistic about our future and look forward to sharing more as we progress. Now I'd like to turn it over to the operator to facilitate questions.

OPERATOR: Thank you very much Ladies and Gentlemen; the floor is now open for questions. If you do have any questions or comments please press "star one" on your touch-tone phone at this time. Pressing "Star two" will remove you from the queue should your question be answered. And lastly we ask that while posing your question, please pick up your handset if listening on speaker phone to provide optimum sound quality. Please hold while we poll for questions.

Your first question is coming from Jason Bernstein. Please announce your affiliation and then pose your question.

MR. BERNSTEIN: Hi guys. Just real quickly: what informed the notice of inquiry? You said you haven't had any indication from the FCC but now you guys think it's going to go the way of an NOI versus NPRM. Can you give us a little more detail as to how you arrived at that?

MR. O'BRIEN: Hi Jason its Morgan. Let me take a stab at that. The most important thing is they haven't done anything. The FCC has taken no action so all you can do at this point is you can ask for status and that doesn't get you very much. I think we have heard from people who have been in talking, that the talk was more NOI than it was NPRM. And so, I think at this point we wanted to put that out there. Nothing's been done.

Obviously we have a strong preference for NPRM but it's what we've heard very recently and the way we described it as disappointed and frustrated is that, up until a relative few weeks ago, what we were hearing was that it was more likely to be an NPRM as others were also hearing.

MR. BERNSTEIN: Okay, that's helpful. And you mentioned the FirstNet RFP; can you disclose who's in that consortium along with you?

MR. PESCATORE: Let me talk a little bit about the thinking there. FirstNet did a very, very careful job structuring this RFP and it's very much not what we're all used to in terms of an on-the-record FCC decision. It's under the federal procurement regulations and has confidentiality aspects and competitive elements that we and other competitors for this, we're assuming there are other competitors, although there is no public announcement by the government; so we're at this point, just restricting what we make public to the fact that we did file. We have NDA's with our other consortium members which prohibit us from disclosing.

MR. BERNSTEIN: Okay and just one more question on that. Is there any indication or can we find out, a number of how many companies responded to the RFP by May 31st?

MR. PESCATORE: Jason you really can't. The FirstNet and the contracting officer whose running this for them has said, they will be making no such announcement. You probably have noticed in the press that there's been one conspicuous applicant who has been talking about their application. Other than that, you just have to restrict yourself unfortunately to announcements like ours or rumor.

MR. BERNSTEIN: Okay, thank you.

OPERATOR: Your next question is coming from Mark Fleischauer from Owl Creek Asset Management. Your line is live.

MR. FLEISCHAUER: One thing I think both John and Morgan mentioned, in working through some spectrum swaps and some of the issues highlighted on the record with some utilities: can you, I'd imagine you're under NDA with those two but, could you give us an indication as to how you're currently working with at least some utilities? I would imagine the ones who have not filed ex partes or comments with the FCC. But, could you just give us a sense as to how you are currently working with some utilities and what you're learning from that? It sounds like you've made some progress in identifying licenses and usage of spectrum which seems like great progress over the last year. That would be helpful.

MR. PESCATORE: It is, it is, it is. You recall because you've been at this so long with us, that we were having these discussions with incumbents long before we filed the petition; and we continue to have them. That is the basis on which we understand with much more depth, what their issues are and that is what gives us confidence that, if those are their issues, we can resolve all those issues; and this is simply the process. The frustration is, we simply haven't

been able to get all that on the record despite our best efforts.

So, I would say the number one message relative to the petition is that we understand the incumbents very well. We respect the arguments they're making. We believe every argument made has good response, that we fit right into the precedents the commission has established most; particularly at 800. This is a question of incumbents not being inclined to see significant change; so we respect that but nevertheless we continue to work with them. I think Rob has a couple issues too. We're so lucky we have Rob now, working with us. He has now focused with laser like focus, on the utilities and their needs.

MR. SCHWARTZ: I think one thing worth adding, and I know John got into it just a little bit in his comments, is that in addition to our regulatory efforts with utilities, we're also focused commercially in understanding and developing offerings to satisfy their current needs; using our existing narrowband licenses.

And so, we've had a consistent effort over the past few quarters now, to do outreach to utilities and really understanding their needs, working with vendors that are currently providing both off-the-shelf and custom solutions to those utilities and working on developing a product set that we can offer them today. Again, leveraging our existing spectrum and their current demand for data services. An example of that is, as I think John mentioned, are things like field area networks, distribution automation, skatta (ph) systems and in those conversations, we clearly are getting a much better understanding of both the current needs, both voice or things like dispatch, but also data needs using those services.

And equally important, these kind of customers you can imagine have very long sales cycles and so, as we can understand and get to know the customers and obviously get in-roads in those long sell cycles, we then have the opportunity to evolve and offer an evolutionary path from their narrowband needs today and into wideband and hopefully, eventually into their broadband needs.

MR. O'BRIEN: Hey Mark, let me make a big distinction also. I think it's a really useful one. You can have an incumbent whose critical infrastructure and if their deep enough incumbent, they can say net/net, going to get broadband on a 3-by-3 for us is not worth the aggravation and the need to re-tune.

You can't confuse that with critical infrastructure on the whole being interested in broadband, because they are and as we're talking to them they are. The reality, and we talked about this before on these calls, is that when large incumbents express opposition, it's generally very difficult for even very interested others in the industry to say otherwise on the record; that's just one of the realities that, as we continue to build this record, if there is an NOI, that's the challenge. I think everybody understands that. Is to say, the incumbents can make a lot of noise, is that sufficient basis for the FCC to make a decision about what's in the public interest?

MR. FLEISCHAUER: Great, that's a great point. I think just one other question as it pertains to the regulatory stuff. You mentioned a potential NOI, and all of this is potential and to a certain

degree speculative. A potential NOI, perhaps examining some of these narrow issues but also looking at perhaps the entire band. Is that on the table here, in terms of: because, if you're going to go through this undertaking, including a path from narrowband to broadband, doing instead of a 3-by-3 and hitting that other 2-by-2 at some point in the future, just going through all the pain at once? How should we think about that and is/does that add time in but gets to a better place? How should we think about that?

MR. O'BRIEN: Let me talk about something that has not happened and will not happen; and that would be somebody at the FCC saying "what would really be in the best long-term interest for PDV?" "Let's talk about the 5-by-5 now" or "the 3-by-3 petition which you filed." That won't happen. That hasn't happened. But, you're raising the point that, when they put out an NOI it could be quite broad and what we're saying to people is, "while an NOI can be disappointing because it's not an NPRM," on the other hand, the NOI can put forth broad issues and if you're opportunistic like we are, they may be good, they may be bad. We'll see.

Again, we're disappointed because we know, I think everybody knows how much we've put into getting to this point and we thought we were tracking beautifully. But, there is no such thing as a straight line in these regulatory matters and this could be a bump but the bump could turn out to be opportunistic so we'll see; but I think your question is certainly helping to explain the dimensions of this. If the FCC chooses to look more broadly, then the FCC is going to choose to look more broadly, all of us, incumbents and others, will have an opportunity to comment on that.

MR. PESCATORE: So remember, we're 60% of the band in the on average and the top 20 markets. So we are, as an incumbent, we are there and the most significant player in the band.

MR. O'BRIEN: But if you have fellow incumbents that are some of the named companies that have filed opposition, and your plan is to provide services to those incumbents over time, as we have laid out from the beginning, then you want to work with them and you don't want to "take them on" and we've tried that, very hard, working with them to make sure that there isn't a way for all of our interests to be accommodated; so we'll see.

MR. PESCATORE: And that gets to Rob's discussion, and so when we say work with them, it's absolutely not only on the regulatory front, it is to evaluate their needs and look how we can serve them with our private spectrum position. And so, we've played a role, actively in the industry, we are participating UTC events and individual and group discussions and we intend to continue to do so.

MR. FLEISCHAUER: Great, thanks a lot.

MR. PESCATORE: Thank you Mark.

OPERATOR: Your next question is coming from David Dixon out of FBR Capital Markets; your line is live.

MR. DIXON: Thanks and good afternoon everyone. I wanted to build on Mark's question here and perhaps just the premise that the utility issues Morgan and Rob or John, are known, are very well known around the three areas of harmful interference, control of spectrum, because of what priority terms and conditions they will have and then the quality of the network being the third issue; between the differences between a utility grade network and a commercial network.

I agree that we'll look more broadly here assuming the NOI comes out in the near term here. But it's interesting to me that both the EEI and the UTC, as a representative association there for utilities, appear to want to continue a dialogue with PDV; and inside this 900-MHz process is one option going forward, even though they say it is difficult and even though they believe that PDV has been heavy-handed in the initial go round and perhaps that was a function of an NPRM being anticipated.

But as we look forward, I just wondered if you could help me and investors understand how this is going to differ now, the strategy inside of an NOI process. Do you think each of these three issues can be worked out inside of an NOI process, because we do see, the FCC has told us that a consensus is unlikely and nor is it reasonable with all of the incumbent positions there that you referenced before?

And they have stated as well that they believe the NOI process will good for PDV-W; so I wanted to get an understanding of how the strategy will shift here inside of this anticipated NOI process, in working through these issues with each of the utilities knowing that we probably won't get to a consensus position.

MR. O'BRIEN: Okay, so let's start with this David: if it is an NOI or if it's an NPRM, it will be the first time the commission has taken a position on the issue, of re-structuring 900; so that's progress. They'll be taking a position on 900 and we're the major beneficiaries and we're the major proponents because we're the, by far the largest user, so either way.

It's annoying to say it but it's just completely true, until we see what's in it, we don't know what they're thinking. They don't, at least to us, they do not telegraph their thinking. They listen, they dig but they don't telegraph their thinking, so. The way they will do that is issuing whatever it is they issue and of course, we all know the distinction between what the staff sends up to the A-floor, and what ultimately comes back. I think we're in that gap at the moment. We don't know and they're not going to tell us.

But continuing to work with the incumbents, let's make this point, if the NOI signals that the commission is thinking about redoing things in the band, automatically it becomes easier to talk to these incumbents because they're not just responding to us, they're responding to the FCC. The FCC is signaling at that point, change. So then, it's a more productive environment in which to talk about change and I honestly can't imagine anybody thinking that we're heavy handed because that's the opposite of our tactic. Our tactic has been, from long before we filed, we

have been speaking to and offering creative discussions with the trade associations across the board and have had many, many, including many of the opponents, listening, talking to us and everything else, so. If you want to define heavy handed as proposed change, well okay, then anybody who proposes change is as heavy handed.

MR. DIXON: What about the sad reality there wasn't a lot of data on the record on harmful interference, to the extent that the; what is the extent to which we can expect to see some of the data tabled down instead of utilities having to take PDV's word for some of these results that you've seen, both internal and external? To what extent inside of an NOI process will we see this tabled for everyone to review and record?

MR. O'BRIEN: Well okay, let's talk about that. The reason that we're admitting that we're a bit frustrated and disappointed is that, we think there's plenty on the record; on that topic and we asked repeatedly, was there a need for more and we weren't asked for more, so. That's the situation we're in. I don't want to speculate but we believe that we have put on the record, sufficient information to address the two or three major issues which I think you summarized before.

MR. DIXON: So, could it be then Morgan that this is tactics that, really what this gets to is the terms and conditions that the utilities want to better understand and perhaps have better, to be better positioned in terms of what rights they have to the spectrum, how and when they have priority? Those types of things I would imagine don't get worked out until you're, generally speaking, much further down the process.

MR. O'BRIEN: Right David. I don't want to speculate on their motivation but if you think about this, PDV of course has the best of its shareholders as its driving force as do the various incumbents. They have what is in the best interest of their shareholders and their customers. The FCC is the one that has the public interest and so that's the process. The process is for us to argue what we think is in the public interest, naturally it's also in our interest and they do the reverse; and then the FCC is the arbiter. That's an inescapable part of being in this spectrum business.

MR. PESCATORE: I do believe that when Morgan refers to that, our experience, or there's been a lot on the record about these technical issues. You can draw very close analogies to what happened at 800-MHz and very complex re-banding for public safety for certain aspects of these technical issues that are coming up. And so, that understanding has been out there and worked through by others and we believe....

MR. O'BRIEN: Okay, let me give you another instance. There are large systems, which are the more complicated systems to re-band obviously and there are large systems that say "you cannot re-band us" in 2-MHz; because of this and that. We have taken on that challenge. We have microscopically examined that and we've determined that they can be accommodated on that, so. If that becomes necessary to demonstrate, that's demonstrable.

MR. DIXON: What about, just lastly, looking at the other way. If you're looking at the utility set of opportunities to explore broadband, the broadband upgrade process is probably in part, as a

function of them looking at their whole fiber deployment upgrade part-2; what do you think their opportunity is to leverage the other spectrum bands, including say the 400-MHz band or the 2.3-GHz band? I mean, I think the lower band I think is more relevant, that they have been pitched the 2.3 band from AT&T as well.

MR. O'BRIEN: Again, I don't want to speculate about what's best for them. If they have a multitude of choices then that's the best for them. We're trying to make using essentially our spectrum, the spectrum that we bought over the course of many years, if we propose to use that in a way that dedicates to them priority access broadband, and that is something they do not want and there are other choices out there for them, well then, I imagine that's what they'll do.

We're looking for as it seems to me, every licensee below one-gig needs to do, we're looking to maximize the efficiency and the competitive potential of the spectrum that we acquired.

MR. PESCATORE: And our spectrum as you point out David, is below 1-gig and so those other options, at least a number of them, are well above that and so the cost to deploy a network there would be greater at our coverage propagation. I think our spectrum is much more attractive when we work through these issues to get to a point where we could deploy broadband for them.

MR. O'BRIEN: We're looking to be and we think we are, an important alternative that has the potential of being the most cost effective because of propagation characteristics; and I think we can prove that in the marketplace.

MR. DIXON: The very last question here gents is really: we know it's the farther (ph) utility that was the most aggressive in trying to steer this towards an NOI, away from an NPRM. Can you just outline for us the relationship you've had with them over time and whether their position has changed as you've had a dialogue with them, or perhaps more simply, if you still see that there's an opportunity to sit down with them and work more closely and collaboratively in working towards some sort of mutually beneficial position?

MR. O'BRIEN: Let me just say that, really avoiding any specifics, the general statement could not be more true, that we continue working with incumbents, where ever we can to try and resolve complaints and to try to explain our position.

MR. DIXON: Okay. Thanks so much for the update.

MR. PESCATORE: Thank you David.

operator: Your next question is coming from Mark Liu, from Serengeti Asset Management. Your line is live Mark.

MR. LIU: I have a question on the technical concerns of the utilities. Are there concrete examples or specific demonstrations that PDV has to show that the technical issues are

manageable based on PDV's parameters?

MR. O'BRIEN: I would say the answer Mark is yes. The answer would be yes.

MR. LIU: Is that something you guys have in next steps in terms of addressing some of the concerns of some of the unities, by setting up demonstrations or things along those lines?

MR. O'BRIEN: I think again, the right way for us to look at this is, let's let the FCC tell us how they're looking at this.

MR. LIU: Okay and then, on the FirstNet, can you outline the synergies that you see from being part of that process and also 900?

MR. O'BRIEN: Yes. I think they're terrific synergies. FirstNet, when it gets started will have the task of building nationwide priority access for public safety of all types. If we are to be successful of what we're proposing, we have somewhat the same task of, different spectrum, theirs is 7 and ours is 9 but we have a similar objective of trying to provide virtually the same kind of services, the same technology, same everything else, critical infrastructure which is sort-of the next rung down on the priority ladder. We see it as very complimentary and if there were to be that network at 700 being deployed and a network aligned with us at 900-MHz being deployed, those are the synergies. You spend less on CAPEX. You spend less on OPEX and the customer bases are very complimentary. Each has occasion to be connected on a network with the other and each is possibly a source of demand for excess capacity; so we think they are synergistic. People are always using synergy as the justification for anything they want to do but I think in this case, it's there.

MR. PESCATORE: And even beyond the network synergies, just over the last several months, raising PDV's profile with this world-class group of partners in this initiative. The ability to have discussions with them about these types of deployments and their customers. And so, we will directly benefit from those discussions, we already are. We're thinking of our network is as Morgan said, is not that different than the type of requirements that public safety would have, so. Independent of that, we take all of what we're doing, or at least a good chunk of it and we're able to redeploy it in our base business and we see a lot of synergy there as well.

MR. O'BRIEN: And independent. And look at this, the great reality of wireless today is huge networks dedicated to the consumer. And then, way over here in this corner, you have FirstNet attempting what a lot of people say is impossible; but I don't believe that. FirstNet attempting to create a special purpose LTE network for public safety, and you have us trying to create some portion of a similar type of network for critical infrastructure. If you're going to be the small guys in that huge game, they're just opportunities we think. And we, as John says, we know more about the potential of LTE to meet the needs of the customers we're looking at and critical infrastructure then we ever would have known if we hadn't gone into this consortium.

MR. PESCATORE: I do want to make one more point. The FirstNet is one of a number of

initiatives. The management team has been planning and looking at our future, and this is something you expect us to do; so FirstNet is one of a number of opportunities that we think has promise and that based on the synergies that our base business got us, we told you on the last call, we were looking at the RFP for those reasons and it was very important, but.

MR. LIU: Is there a capital commitment component as being part of this consortium?

MR. O'BRIEN: There is an incredibly detailed application and we're just not disclosing.

MR. LIU: I mean from PDV's part, sorry, I should have clarified.

MR. O'BRIEN: If you're asking Mark, as of our year end it was not material. We will, we've borne our portion of the cost to be involved with it. The consortium members have borne their portion but at the end of the day, let's just say in the very happy circumstance that we win, we then have and have laid out, a plan for how to finance going forward.

MR. PESCATORE: But not before then, other than investing in seeing the process through.

MR. O'BRIEN: I think we have time for one more question. Did I see it was Paul, Paul Kirby?

OPERATOR: Yes, Paul Kirby from TR Daily. Your line is live.

MR. PESCATORE: You're the last Paul. How are you?

MR. KIRBY: Thank you very much. You mentioned the NDA's Morgan. Do the NDA's cover both sides? In other words, are you not allowed to talk about them and they're not allowed to talk about you, or just you all can't talk about who the others are but they can identify themselves.

MR. O'BRIEN: Okay, you're extremely aware of one of the phenomenon here which is that this had to be done in the most unbelievable time frame. I forget but I think it might have been February when they first put out this RFP and you had to have this massive application done by the 31st. of May. We determined immediately that only a consortium would work for us; so we put the consortium together and you can only imagine that process.

We can't answer the question, how do all of the sort-of principle consortium members, how will they decide to handle disclosure? Because of course, they will have to think that through and then we'll all work on it together. But at the moment, we decided on non-disclosure.

MR. PESCATORE: It is a two-way mutual non-disclosure.

MR. O'BRIEN: We have mutual non-disclosures but we of course, we'll see how that works as we go down the line. But at the moment, we consider this to be something where there's a competitive advantage to just stay quietly with the process that we're in with the RFP and

restrict this to just answering the questions and participating in the process with FirstNet and their contracting office.

MR. KIRBY: Thank you.

MR. O'BRIEN: Thanks a lot.

MR. PESCATORE: We want to thank everybody for your time today and we'll look forward to sharing more details as we progress.

MR. O'BRIEN: Thank you everybody.

OPERATOR: Thank you Ladies and Gentlemen. This does conclude today's conference call. You may disconnect your lines and have a wonderful day. Thank you for your participation.

END