

ANNUAL REPORT

Pursuant to Section 27.607 of the Commission's Rules, Pegasus Guard Band, LLC ("PGB"), licensee of 34 guard band licenses in the 700 MHz spectrum, hereby provides its annual report on the status and use of these guard band licenses. *See* 47 C.F.R. §27.607. Attached hereto as Attachment 1 is a listing of the call signs and market areas of the licenses held by PGB and covered by the instant report.

Formerly, the 700 MHz frequency band was reserved for use by UHF television channels 60 through 69 until the FCC reallocated 36 MHz of this spectrum for commercial use and 24 MHz for public safety use at the direction of Congress. Currently, much of the spectrum in which the 700 MHz guard band licenses held by PGB are located remains encumbered by the existing analog and digital broadcast television stations. By statute, the incumbent television broadcasters will continue to be the primary users in this portion of the spectrum until December 31, 2006, or until the particular market reaches the prescribed penetration levels indicating that the market has largely converted from analog to digital television. The continued incumbency of existing television broadcasters remains the largest obstacle to the broad initiation of service on the guard band frequencies.

PGB has previously identified encumbered areas using prediction methods. Field tests are currently in progress to validate the predicted interference. The goal of this effort is to identify and qualify areas within MEA's where services may be deployed without causing harmful interference to existing television stations. In this way, PGB hopes to provide service in particular geographic areas prior to the completion of the transition to digital television. Concurrent with this necessary field testing, PGB has identified and tested system applications for potential users of the guard band licenses.

PGB currently does not have any agreements in place for use of its spectrum. PGB is in active discussions with a number of potential users and is in the process of negotiating spectrum lease agreements for PGB's licensed areas. PGB hopes to begin entering into lease agreements with spectrum users shortly. Due to the preliminary nature of these negotiations, PGB has no information regarding the specific users, applications, and the MEAs involved to report at this time.

Ultimately, service in the 700 MHz guard band spectrum has been further complicated by the uncertainty created by Nextel Communications, Inc.'s ("Nextel") proposal for a reshuffling of the 800 MHz spectrum, and the rule making currently being conducted by the FCC. *See* In the Matter of Improving Public Safety Communications in the 800 MHz Band, and Consolidating the 900 MHz Industrial/Land Transportation and Business Pool Channels, Notice of Proposed Rule Making, WT 02-55, released March 15, 2002. Since 2002 and to the present, stakeholders have continuously submitted comments and *ex parte* presentations in this on-going proceeding. This pending rule making has the ability to substantially alter the development of the 700 MHz guard band spectrum, as well as affecting the technology and equipment that is developed for use in these bands. Moreover, the reallocation of a portion of the 700 MHz guard bands to Business

Pegasus Guard Band, LLC
700 MHz Guard Band Licenses
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Radio and Industrial/Land Transportation Radio users may fundamentally alter the demand for services from the 700 MHz guard band managers. Similarly, Nextel's possible forfeiture of its own guard band authorizations may have an impact on the type and availability of equipment developed for use in the guard band spectrum. This uncertainty created by a possible restructuring of spectrum affecting the guard bands has also resulted in delaying potential customers from committing to leases for the 700 MHz guard bands.

**CURRENT FCC LICENSES HELD BY
PEGASUS GUARD BAND, LLC**

| Call Sign | Channel Block | Market | Market Name | Grant Date | Current Expiration Date |
|-----------|---------------|--------|---------------------------------|------------|-------------------------|
| WPRR298 | A | MEA001 | Boston | 12/21/2000 | 1/1/15 |
| WPRR299 | A | MEA002 | New York City | 12/21/2000 | 1/1/15 |
| WPRR300 | A | MEA004 | Philadelphia | 12/21/2000 | 1/1/15 |
| WPRR301 | A | MEA006 | Richmond | 12/21/2000 | 1/1/15 |
| WPRR302 | A | MEA009 | Jacksonville | 12/21/2000 | 1/1/15 |
| WPRR303 | A | MEA010 | Tampa-St. Petersburg-Orlando | 12/21/2000 | 1/1/15 |
| WPRR304 | A | MEA011 | Miami | 12/21/2000 | 1/1/15 |
| WPSK920 | A | MEA012 | Pittsburgh | 6/6/2001 | 1/1/15 |
| WPRR305 | A | MEA013 | Cincinnati-Dayton | 12/21/2000 | 1/1/15 |
| WPRR306 | A | MEA014 | Columbus | 12/21/2000 | 1/1/15 |
| WPRR307 | A | MEA015 | Cleveland | 12/21/2000 | 1/1/15 |
| WPRR308 | A | MEA016 | Detroit | 12/21/2000 | 1/1/15 |
| WPRR309 | A | MEA017 | Milwaukee | 12/21/2000 | 1/1/15 |
| WPRR310 | A | MEA018 | Chicago | 12/21/2000 | 1/1/15 |
| WPRR311 | A | MEA019 | Indianapolis | 12/21/2000 | 1/1/15 |
| WPRR312 | A | MEA022 | Knoxville | 12/21/2000 | 1/1/15 |
| WPRR313 | A | MEA023 | Louisville-Lexington-Evansville | 12/21/2000 | 1/1/15 |
| WPRR314 | A | MEA025 | Nashville | 12/21/2000 | 1/1/15 |
| WPRR315 | A | MEA028 | Little Rock | 12/21/2000 | 1/1/15 |
| WPRR316 | A | MEA034 | Omaha | 12/21/2000 | 1/1/15 |
| WPRR317 | A | MEA035 | Wichita | 12/21/2000 | 1/1/15 |
| WPRR318 | A | MEA036 | Tulsa | 12/21/2000 | 1/1/15 |
| WPRR319 | A | MEA040 | Phoenix | 12/21/2000 | 1/1/15 |
| WPRR320 | A | MEA041 | Spokane-Billings | 12/21/2000 | 1/1/15 |
| WPRR321 | A | MEA043 | San Francisco-Oakland-San Jose | 12/21/2000 | 1/1/15 |
| WPRR322 | A | MEA045 | Portland | 12/21/2000 | 1/1/15 |
| WPRR323 | A | MEA046 | Seattle | 12/21/2000 | 1/1/15 |
| WPRR324 | A | MEA047 | Alaska | 12/21/2000 | 1/1/15 |
| WPRR325 | A | MEA048 | Hawaii | 12/21/2000 | 1/1/15 |
| WPRR326 | A | MEA049 | Guam and the Northern Mariana | 12/21/2000 | 1/1/15 |
| WPSK921 | B | MEA049 | Guam and the Northern Mariana | 6/6/2001 | 1/1/15 |
| WPRR327 | A | MEA050 | Puerto Rico | 12/21/2000 | 1/1/15 |
| WPRR328 | A | MEA051 | American Samoa | 12/21/2000 | 1/1/15 |
| WPSK922 | B | MEA051 | American Samoa | 6/6/2001 | 1/1/15 |