

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, 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. During the past year, PGB's effort have concentrated on identifying proper engineering guidelines to ensure mutual non-interference with the incumbent broadcasters in order to permit use of the 700 MHz guard bands without causing interference to the existing users. The continued incumbency of existing television broadcasters remains the largest obstacle to the broad initiation of service on the guard band frequencies.

PGB holds the A block licenses, consisting of a pair of 1 MHz guard band frequencies for a total of 2 MHz, in 32 Major Economic Areas ("MEA"), or about 55% of the United States. In addition, PGB holds two B block licenses, consisting of a pair of 2 MHz guard band frequencies for a total of 4 MHz. PGB intends to make these frequencies available to potential users for dispatch, telemetry, and other service uses. Since obtaining these guard band authorizations from the Commission, PGB has taken the necessary preliminary steps of identifying the incumbent broadcasters currently operating within the licensed MEAs corresponding to each of PGB's licenses, and the signal contours of these each of these broadcast facilities. In addition, the same information has been gathered regarding broadcast stations operating on channels adjacent to PGB's licenses and from whom interference may be received.

To perform this determination, PGB retained the services of an outside company that collects and maintains current data on broadcast licenses, contours, and applications filed with the FCC. The identification of interference areas as they apply to CMRS is critical to the successful implementation of services on the 700 MHz guard bands. The determinations have been performed as follows:

1. Computed Longley-Rice television signal areas for all co-channel and adjacent channel incumbent television broadcast facilities for lower and upper blocks.
 - Lower Block: Co-channel signals for the lower block, 746 to 747 MHz (UHF channel 60), were generated using a five foot receiving antenna height with a .5 uV signal strength cut off. Adjacent-channel signals for the lower block were

generated using the same five-foot antenna height but will using a 40 uV signal strength cut off.

- Upper Block: Co-channel signals for the upper block, 776 to 777 MHz (UHF channel 65), were generated using a 200 foot receiving antenna height with a .5 uV signal strength cut off. Adjacent-channel signals for the upper block were generated using the same 200 foot antenna height but will using a 40 uV signal strength cut off.
2. Performed overlap analysis using co-channel and adjacent-channel signals created in #1 and the 34 PGB MEA areas to determine potential for interference to guard band users.
 3. Created propagation study for “interference” towers that include a map for each MEA with any co-channel and adjacent channel signals. The studies for each license area included a report with co-channel and adjacent-channel tower latitude, longitude, effective radiated power, and polar pattern.

PGB has completed all of the engineering studies with regard to existing analog broadcasters and is working to perform the same analysis for any operating digital stations in this spectrum, including determining the actual power levels for any operational DTV stations.

Concurrent with this necessary engineering review of the incumbent 700 MHz spectrum users, PGB has sought to identify and engage potential users for its guard band licenses. Although it currently does not have any agreements in place, 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 within a year. Due to non-disclosure agreements and the preliminary nature of these negotiations, specific information regarding the specific users and the MEAs involved cannot be publicly disclosed.

Equipment currently available for use with the 700 MHz guard band licenses includes a trunked subscriber portable and mobile radio system from Motorola; repeaters from Spectrum Corp.; and passport trunking controllers from Trident Micro Systems. In addition, Microwave Data Systems has announced the future production of a system for private point-to-multipoint operations, and SCADA has announced a remote telemetry unit and master station unit.

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. 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 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

Pegasus Guard Band, LLC
700 MHz Guard Band Licenses
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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