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VIA ECFS

February 20, 2004

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW, Room TW-A325
Washington, DC 20554

Re: *WT Docket No. 02-55 -- Notice of Oral Ex Parte Presentation*

Dear Ms. Dortch:

Pursuant to Section 1.1206(b) of the Commission's rules, Verizon Wireless, by its attorney, hereby notifies the Commission that on February 19, 2004, the following individuals met with Commissioner Jonathan Adelstein and Barry Ohlson, Legal Advisor to Commissioner Adelstein, to present the attached Kane Reece overview: Molly Feldman, Vice President – Business Development, John Bareham, Executive Director, Spectrum Planning and Acquisitions, and Don Brittingham, Director – Wireless Policy, of Verizon Wireless; Robert Ott and James Cuddihy of Kane Reece Associates, Inc.; and the undersigned.

Attached is a copy of the presentation made at the meeting, titled "Determination of the Fair Market Value of the Spectrum Proposed for Realignment by Nextel Communications, Inc." The following additional materials were provided during the presentation, copies of which are attached:

- Pro Forma Analysis of Cingular/AT&T Wireless Transaction as of Feb. 17, 2004, by Kane Reece;
- Legg Mason, Spectrum Swap Looks Headed Nextel's Way, But With Wrinkle, January 22, 2004; and
- Goldman Sachs, NXTL (U/C) & FCC moving towards negotiated agreement on spectrum issues, October 5, 2003.

Please contact me if you have questions or need additional information.

Respectfully submitted,

/s/
Kathryn A. Zachem

Attachment

cc: Commissioner Jonathan Adelstein
Barry Ohlson

KANE REECE ASSOCIATES, INC.
Valuation, Management & Technical Consulting

Determination of the Fair Market Value of the Spectrum Proposed for Realignment by Nextel Communications, Inc.

FCC WT Docket No. 02-55

Presentation to the FCC
February 19, 2004

Robert E. Ott, CFA, Principal of Kane Reece Associates, Inc.
James W. Cuddihy, Vice President – Engineering

Introduction & Background for Kane Reece Associates, Inc.

KANE REECE ASSOCIATES, INC.
Valuation, Management & Technical Consulting

- **International appraisal, valuation, management and technical consulting firm founded in 1986**
- **Our appraisal practice is concentrated in communications and media industries**
- **Serves businesses, attorneys, financial institutions and governments/agencies**
- **Decades of management and appraisal experience in industry and have supported findings in numerous judicial and administrative venues**
- **Credentials include CPA, CFA, ASA, PE; financial and engineering backgrounds**
- **Clients range from "Fortune 500" to closely held firms and partnerships; underlying asset values ranging from millions to billions of dollars**
- **Bob Ott is a principal of the firm with both engineering and business degrees; Jim Cuddihy is VP, Engineering**
  - Both have communications industry experience and have appraised tens of billions of dollars of wireless industry assets and businesses

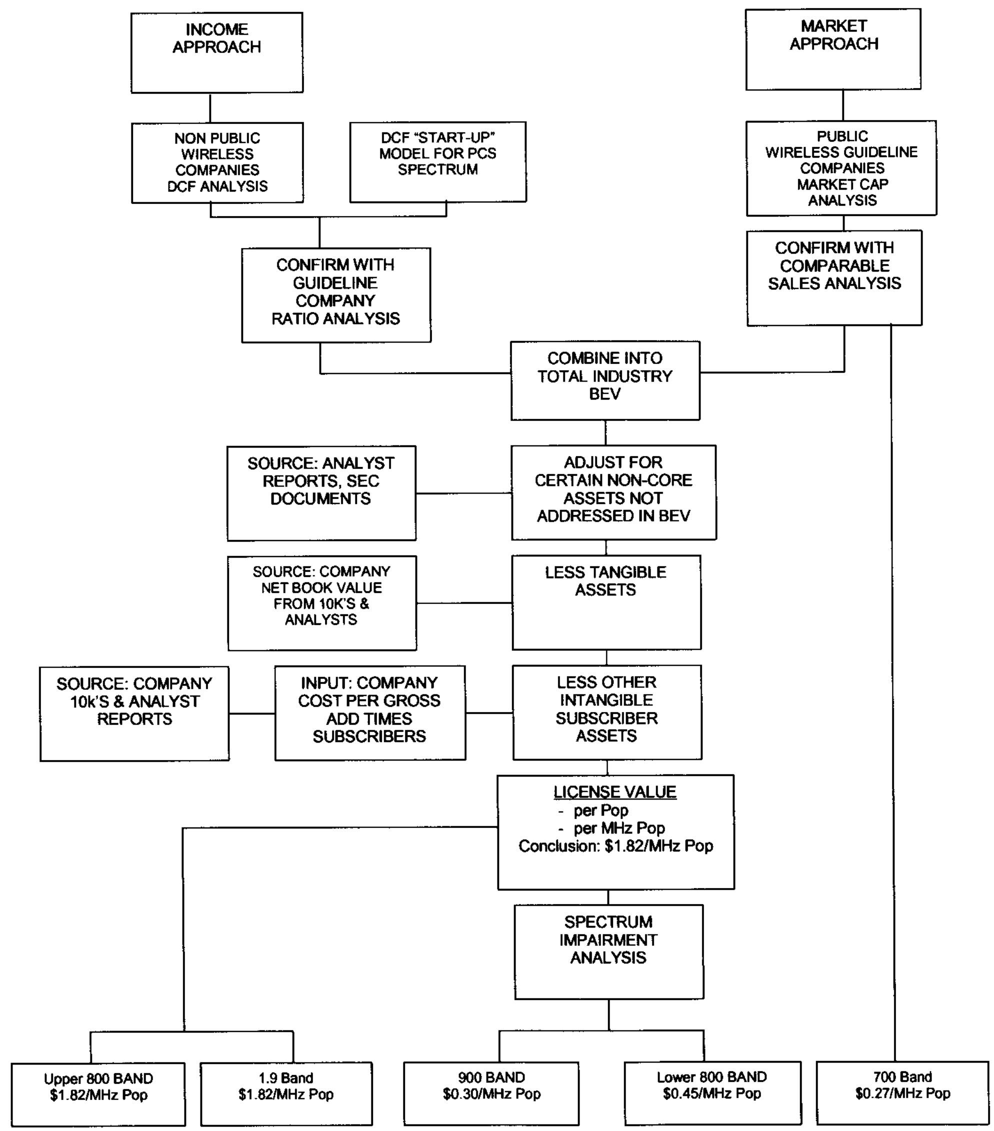
Valuation Methodology

Objective:

- Determine Business Enterprise Value (BEV) of US Wireless Industry
- Determine wireless industry spectrum value
- Determine value of proposed "Consensus Plan" spectrum

Nextel Proposed Spectrum Realignment Valuation Process

KANE REECE ASSOCIATES, INC.
Valuation, Management & Technical Consulting



Valuation Methodology

KANE REECE ASSOCIATES, INC.
Valuation, Management & Technical Consulting

Approaches Employed:

- Non-public Companies – income approach (DCF) & Public Guideline Company ratios
- Public Companies – Public Guideline Company approach
- Wireless Transaction comparable sales analysis conducted to confirm reasonableness of DCF and Guideline Company approaches
- Aggregate the BEV's for the Industry
- Compile data for each company's average spectrum (MHz), licensed population and subscribers from public sources (10K's, analysts reports, press releases)
- Determine spectrum or license value as residual after deducting all other material identified assets from the BEV
- Calculate spectrum FMV per MHz-Pop
- Confirm reasonableness through "comparable" spectrum sales
- Determine appropriate spectrum impairments applicable in Consensus Plan proposal

Attributes of Kane Reece Valuation Approach

KANE REECE ASSOCIATES, INC.
Valuation, Management & Technical Consulting

- Consistent with Uniform Standards of Professional Appraisal Practice ("USPAP") and investment banking industry practice
- Proper treatment of income tax provision in DCF's, control premium in Guideline Company analysis, and correct customer relationship approach employed
- Recognizes that all spectrum is <u>not</u> "created equal"
- Employs a broad cross section of the industry to represent value of near-nationwide spectrum
- Appraisal addresses the required income, market and cost approaches to value and does not rely on a single transaction comparable sale as a value conclusion

U.S. Wireless Industry License
Fair Market Value Conclusion

KANE REECE ASSOCIATES, INC.
Valuation, Management & Technical Consulting

Wireless Operators As of 12/31/02	Total/Average
Total Wireless Industry Business Enterprise Value ($ Mil)	$ 210,932
Less: Net PP&E	81,101
Less: Customer Relationship Asset (CPGA * Subscribers)	47,591
License Value Indication ($M)	82,240
Average MHz (for licensed Pops)	26.1
Total Pops (M)	1,731
MHz*Pops(M)	45,147
License Value per MHz-Pop	$ 1.82

Summary of Nextel Windfall

KANE REECE ASSOCIATES, INC.
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Nextel Existing Spectrum Proposed to be Relinquished:

	FMV ($ Million)	Bandwidth (MHz)	Pops (Millions)	License Value Per MHz Pop
700 MHz (4 MHz):	$ 31	4.0	290	$ 0.027
800 MHz (8.5 MHz):	898	8.5	235	0.450
900 MHz (3.8 MHz):	331	3.8	290	0.300
Total license value relinquished:	$ 1,260			

Nextel Proposed Spectrum to be Granted:

	FMV ($ Million)	Bandwidth (MHz)	Pops (Millions)	License Value Per MHz Pop
800MHz (6 MHz):	$ 3,167	6.0	290	$ 1.820
1.9 GHz (10 MHz):	5,278	10.0	290	1.820
Total Spectrum to be Granted	$ 8,445			
License Value Gained	$ 7,185			

Impairment Calculation for 800 MHz

KANE REECE ASSOCIATES, INC.
Valuation, Management & Technical Consulting

Voice Capacity at 800 MHz iDEN relative to CDMA 1xRTT (in Erlangs)	70%
Co-Channel encumbrances at 800 MHz reduces Nextel's available channels based on Commission July 2002 submission to Congress	17.5%
Net 800 MHz Impairment (1 - 0.7) x (1 – 0.175) = 0.247 1 - 0.247 = 0.753	75.3%

Fair Market Value of Nextel's 8.5 MHz at 800 MHz to be surrendered:

8.5 MHz x $1.82/MHz-Pop x 235M Pops x 0.247 = $898 Million

Comparison of iDEN and CDMA Capacity

	iDEN 3 channels/ carrier	iDEN 6 channels/carrier	CDMA1xRTT
Channel Bandwidth (MHz)	0.025	0.025	1.25
Number of Channels	50	50	1
Bandwidth being compared (MHz)	1.25	1.25	1.25
Vocoder (KHz)	8	8	8
Frequency Reuse Factor	1/7	1/7	1
Channels per Cell Site	7.14	7.14	3.00
Number of sectors	3	3	3
Channels per sector	2.38	2.38	1.00
Simultaneous Users Per Channel	3	6	35
Simultaneous Users/sector	7.14	14.29	35.00
iDEN Capacity relative to CDMA 1xRTT in simultaneous users/sector	20.4%	40.8%	
iDEN Disadvantage	79.6%	59.2%	
Erlangs per sector	2.5	7.4	24.6
iDEN capacity relative to CDMA1xRTT in Erlangs/sector	10.2%	30.1%	
iDEN Erlang disadvantage	89.8%	69.9%	

Conservative Aspects of Appraisal

- **Wireless values have increased significantly in the last year**
  - Kagan World Media – Wireless Telecom stock average up 97%
- **Used minimum capacity impairment (CDMA vs. IDEN)**
- **No premium added for national license at 800 MHz or 1.9 GHz**
- **No premium for contiguous spectrum at 800 MHz**
  - "New" 6 MHz contiguous to existing 10 MHz of Nextel spectrum
- **No value given to high-speed data capabilities of CDMA vs. iDEN**

Summary

- **Consensus Plan would increase value of Nextel's spectrum by $7.2 B**
- **Appraisal recognizes the differences in spectrum attributes**
  - Non-contiguous spectrum vs. contiguous
  - Heavily encumbered vs. relatively clear
  - Subject to restrictions (700 MHz) vs. flexible rules
  - Non-national vs. nationwide
- **Appraisal is consistent with standard industry practice**
- **Appraisal is conservative**

Goldman Sachs

Wireless

NXTL (U/C) & FCC moving towards negotiated agreement on spectrum issues

Analyst Comment

5:56 PM – October 5, 2003

Americas

We met recently with NXTL and various members of the FCC to discuss the issue of interference in the 800MHz band. We highlight three key points: (1) There is evidence the FCC and NXTL are moving away from take–it–or–leave–it positions on Nextel's consensus plan proposal and are negotiating to find common ground, which may allow an agreement sometime this winter; (2) the FCC increasingly seems intent on a re–banding solution, which is central to NXTL's proposal; (3) major challenges in the negotiation with NXTL appear to include NXTL's proposed spectrum "trade" of 700, 800 and 900MHz spectrum for spectrum in the 1900MHz band, and how to insure adequate funding is provided to implement realignment. The process remains a complex mix of political and technical considerations. Resolution of this issue is not likely to produce a spectrum windfall for NXTL (which some had been assuming) , but fundamentally it should be perceived as a meaningful positive development. Maintain U/C on NXTL shares.

Full details

EVIDENCE NEGOTIATIONS ARE PROGRESSING. In our recent meetings with NXTL and the FCC, we sensed that the consensus proposal is the subject of more active negotiations. This is a departure from earlier views that the proposal was an all−or−none package. This is not surprising, because the starting point in any negotiation is a "wish list" of demands that over time migrates to a mutually agreeable middle ground. In fact, there is evidence such negotiations have already occurred with some third parties. For example, the FCC indicated that NXTL has agreed to offer better interference protection for private wireless licensees who had been concerned they would face more interference in their new "guard band" frequency allocation under the consensus plan. Of course, there are still some crucial components to negotiate, such as the 1900MHz spectrum.

SENSE INCREASED FCC SUPPORT FOR A RE−BANDING SOLUTION. Discussions we have had with FCC engineers suggest the FCC believes it has two viable technical solutions for solving public safety interference: the NXTL−led consensus plan and the MOT proposal. Though we sense the FCC has become apprehensive that the MOT proposal alone is sufficient to address the interference issues. And while the FCC has indicated in the past that nationwide 800MHz re−banding seemed like overkill, it recently highlighted some long−term benefits of realignment. For example, that realignment addresses shortcomings of haphazard historical spectrum allocation decisions, and that it could result in lower costs for public safety in the future because it would be less expensive to provision interoperable radios once different types of users in the band were no longer interspersed. We expect the FCC will keep the MOT proposal on the table because it gives the FCC negotiating leverage with NXTL, but we suspect the final decision will look more like the consensus plan than not in regard to the realignment process.

EXPECT NXTL WILL BE RESPONSIBLE FOR REALIGNMENT COST OVERRUNS. We feel it makes sense for the FCC to require that NXTL fulfill a certain detailed list of items necessary to complete the re−banding process, with the understanding that certain unforeseen costs would be compensible by the FCC but basic cost overruns would be funded by NXTL. This would put the burden on NXTL to insure that its $850mn estimate for realignment was realistic and to fund incremental costs if it was not. This would create an overhang for NXTL because despite its best estimates, the duration and complexity of the re−banding process in all likelihood makes its true ultimate cost very hard to estimate. We would expect the FCC to put certain caps in place so that NXTL can have certainty that while its costs may exceed $850mn that they could not become excessive.

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Robert Barry
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Goldman Sachs
Global Equity Research

WE SEE THE SPECTRUM "TRADE" AS KEY CHALLENGE TO NXTL'S PLAN. The key challenge to the consensus plan is the apparent imbalance in the value between what NXTL proposes to give up vs. what it would get under the plan. It makes sense for NXTL to be compensated for spectrum it forfeits in the realignment. However, the government may have a hard time with the apparent imbalance with the spectrum it's getting back and that which it is being asked to give up. NXTL has proposed swapping spectrum that has a book value of about $2bn in exchange for spectrum that the public market may estimate at $5bn. Of course, NXTL also is proposing to pay $0.85bn for the realignment, though that still leaves about a $2bn gap. The FCC's bargaining position includes the fact that it my argue that it has the power to order NXTL to solve the interference problems it causes, on a case by case basis, on NXTL's own dime. The net of it all is that both parties want something, both parties have bargaining leverage, and both parties now appear to be in the negotiating phase of the "dance." A win/win solution has to be achieved where neither side is unduly enriched or penalized. A formula summarizing this situation would have the value of eliminating interference, plus the forfeited spectrum plus $850 million equaling the value of some amount of spectrum NXTL would get back at 1900MHz. Playing a role here is the benefit to NXTL of potentially improving the efficiency of its network and getting more contiguous spectrum at 1900 MHz. The FCC needs to factor in the political consequences of "giving" NXTL spectrum, i.e. it cannot seem like NXTL is getting a windfall otherwise the media attention and political fire could kill a deal.

We estimate that the 1900 MHz spectrum that NXTL wants to receive is worth about $5bn, assuming 10MHz, 280mn POPs and a price of $1.80/MHz/POP. We reach the $1.80 by assuming a 15% premium to prices paid recently for 1900MHz spectrum, such as Cingular's acquisition of NextWave spectrum. The premium accounts for the spectrum being allotted in one, nationwide block.

I, Frank Governali, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

APPENDIX 1: Disclosures

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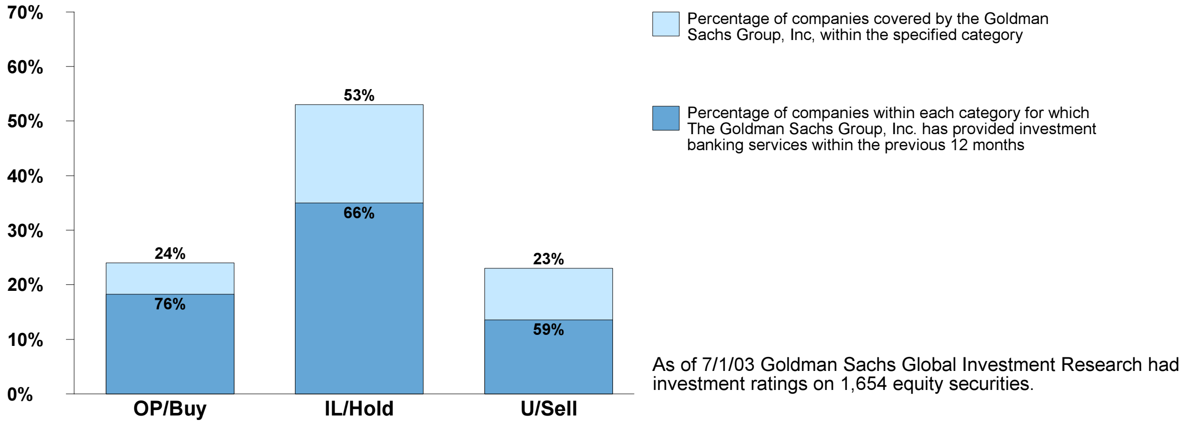
Goldman Sachs Research global coverage universe



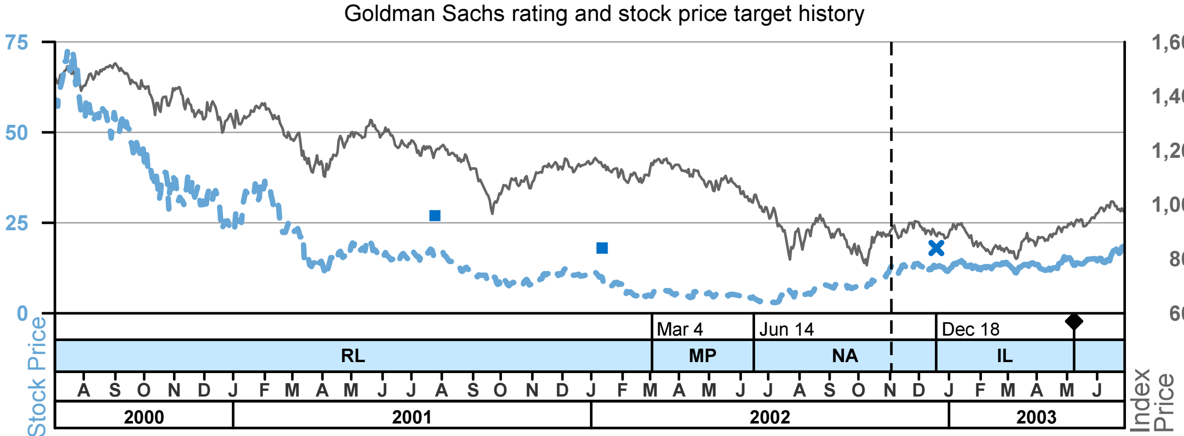
As of 7/1/03 Goldman Sachs Global Investment Research had investment ratings on 1,654 equity securities.

Goldman Sachs uses three ratings - Outperform, In-Line, and Underperform - reflecting expected stock price performance relative to each analyst's coverage group, on an unweighted basis with regard to market capitalization and with a 12-month time horizon. Each analyst also assigns a coverage view - Attractive, Neutral, or Cautious - representing the analyst's investment outlook on the coverage group. NASD/NYSE rules require a member to disclose the percentage of its rated securities to which the member would assign a buy, hold, or sell rating if such a system were used. Although relative ratings do not correlate to buy, hold, and sell ratings across all rated securities, for purposes of the NASD/NYSE rules, Goldman Sachs has determined the indicated percentages by assigning buy ratings to securities rated Outperform, hold ratings to securities rated In-Line, and sell ratings to securities rated Underperform, without regard to the coverage views of analysts.

Source: Goldman Sachs *As of July 1, 2003*

Nextel Communications (NXTL) Currency: U.S. Dollar

Goldman Sachs rating and stock price target history



Source: Goldman Sachs Research for ratings and price targets; Reuters for daily closing prices, as of 7/1/03.

◆ May 8, 2003 to U from IL

Rating

Price target

Price target removal

S&P 500; pricing by FactSet

Covered by Frank J. Governali, CFA, as of Dec 17, 2002

Not covered by current analyst

New rating system as of 11/4/02

The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

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Definitions of ratings

OP = We expect this stock to outperform the median total return for the analyst's coverage universe over the next 12 months.

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U = Underperform. We expect this stock to underperform the median total return for the analyst's coverage universe over the next 12 months.

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CIL = Current Investment List. We expect stocks on this list to provide an absolute total return of approximately 15%–20% over the next 12 months. We only assign this designation to stocks rated Outperform. We require a 12–month price target for stocks with this designation. Each stock on the CIL will automatically come off the list after 90 days unless renewed by the covering analyst and the relevant Regional Investment Review Committee.

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MU = Market Underperformer. Expected to provide price gains of at least 5 percentage points less than the market over the next 6–18 months.

NXTL: US$ 20.62

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LEGG MASON

Spectrum Swap Looks Headed Nextel's Way, But With Wrinkle

January 22, 2004

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Tahmin Clarke	**toclarke@leggmason.com**	**(410) 454-5669**

- **As the Nextel spectrum-swap proposal enters its third year, we believe that FCC staff are moving in a direction that may ultimately allow Nextel to acquire all of the spectrum it seeks, although at a higher cost.**
- **The current approach seeks to equate the value of the spectrum and relocation support that Nextel would provide with the value of the spectrum it would receive. The major hurdle is coming up with a value that satisfies both sides. Valuation issues are generally resolved at the end, not the beginning of the process, and we believe that FCC commissioners have not signed off on this general approach, although they generally favor an outcome that satisfies the concerns of the public safety community.**
- **We estimate the net incremental value of the spectrum to Nextel to be approximately $2.8 billion, falling in between the disparate projections derived from Nextel and Verizon of $1.1 billion and $6.5 billion, respectively.**

As we reported last November, the Federal Communications Commission appears to be trending Nextel's **(NXTL)** way on its proposed spectrum swap, but we now believe it could involve paying more for spectrum. Under Nextel's proposal, which is backed by the key public safety associations, the FCC would reband the 800 MHz band to reduce interference to public safety entities and provide Nextel 10 MHz of spectrum in the 1.9 GHz band in exchange for spectrum Nextel would relinquish in the 700, 800, and 900 MHz bands. There have been counter proposals and compromises floated, including one that would give Nextel only some of the spectrum it wants.

We understand that FCC staffers are shifting from a spectrum-based analysis to a valuation approach that would seek to address the windfall arguments of critics by requiring Nextel to pay more for spectrum it would receive outside the 800 MHz band, though it could get all of the spectrum it seeks. The benefit of such an approach is that it gives both sides increased flexibility and would satisfy the public safety community. Depending on how they structure the package, it may also reduce the risk that the relocation amount pledged by Nextel (to fund the migration of 800 MHz public-safety and private-wireless users) will end up being short the actual costs of that relocation. The critical vulnerability is whether the government and Nextel -- setting aside for the moment wireless critics of the swap -- can arrive at a figure that is agreeable to both sides.

The range of valuations is, not surprisingly, wide. Verizon Wireless **(VZ-VOD venture)** submitted a study calculating that Nextel would receive a net financial gain of $6.5 billion if it gets all of the spectrum it seeks. To counter that claim, Nextel submitted its own study which valued its contribution to the plan from its 700/800/900 MHz holdings and what it would receive from the 1.9 GHz band. Nextel argues that they are offering the FCC spectrum that is worth more than they are getting in return, by $1.1 billion. But the Nextel analysis does not factor in the 6 MHz of spectrum in the 800 MHz frequency band they would receive in the rebanding. To factor in the additional 6 MHz, we used our estimate of 6 MHz and arrived at a gain to Nextel of $2.2 billion -- resulting in a net value of $1.1 billion to the company for its swap proposal.

Our analysis of the value falls in between the two scenarios but is closer to the Nextel valuation. Using $1.60/MHz/POP for the contiguous spectrum and $0.50/MHz/POP for the non-contiguous spectrum, we believe the proposal will increase the market value of Nextel's spectrum by $2.8 billion. We note that there are many caveats to the analysis that explain some of the delta between our numbers and the company's estimates. Specifically, if we assume the value of non-contiguous spectrum for Nextel to be worth $1.00/MHz/POP instead of $0.50/MHz/POP, then our analysis for incremental value is very close to Nextel's estimates at $1 billion. The challenge is assigning fair value to spectrum that is non-contiguous, which limits all technologies in their use of the frequencies. Nextel noted some of its own 800 MHz and 900 MHz transactions in 2002 and 2003 that closed at $2.02/MHz/POP and $1.44/MHz/POP, respectively, which may indicate that our estimates are conservative. However, we are taking the conservative approach because of the limited number of carriers that have technologies that use non-contiguous spectrum.

The other areas of discrepancy between Verizon and Nextel focus on the value of Nextel's existing spectrum and the appropriate value for 1.9 GHz spectrum. While we are not going to take a firm stance on who is correct, we do note that Verizon is not projecting any value for better propagation characteristics at 800 MHz and 900 MHz vs. 1.9 GHz, which would reduce the number of cell sites needed for an equivalent build, and appears to be overly optimistic about the value of 1.9 GHz spectrum. Specifically, Verizon came up with a value for the spectrum using a business enterprise value (BEV) approach, which tries to isolate the value of the spectrum by subtracting the net tangible assets and customer values to arrive at a spectrum value. Using that methodology, Verizon believes the 1.9 GHz spectrum should be valued at $5.28 billion, or approximately $2.34.MHz/POP. This represents a 46% premium over current market comps, which may indicate an overly optimistic scenario. Some of this premium can be explained by the valuation methodology used by the Verizon analysis, as it did not appear to factor in the tax effect of the cash flows for its DCF (discounted cash flow) values in calculating its BEV.

Bound up in a valuation approach are the long-standing issues of the sufficiency of the $1.2 billion Nextel has offered to pay (about $1 billion to fund the relocation of 800 MHz licensees as well as buy filters, and some additional money, primarily to relocate "BAS" licensees in the 1.9 GHz band) and the technical, legal, and political complexity of a solution that involves relocating so many entities over a long period of time with funding to be provided in the future. In addition, it will be awkward to conduct a negotiation of the proper valuation in this context.

We further caution that the FCC's commissioners have not yet signed off on this approach. We believe that most, if not all, the commissioners share a concern for concluding the proceeding in a way that satisfies the public safety community, but getting from here to there could take significantly more time in addition to possibly taking different turns. While FCC officials have talked of issuing an order in the next two or three months, we think it's more likely the proceeding will run into the summer.

Finally, even if the FCC ultimately reassigns the spectrum to Nextel, we believe other wireless carriers are sure to go to court. Although it is *conceivable* that the FCC could require Nextel to pay such a high price for the 1.9 GHz spectrum that the wireless carriers would be appeased, it is not conceivable that Nextel would pay such a price, in our opinion.

Despite all these factors, the latest developments are good news for Nextel.

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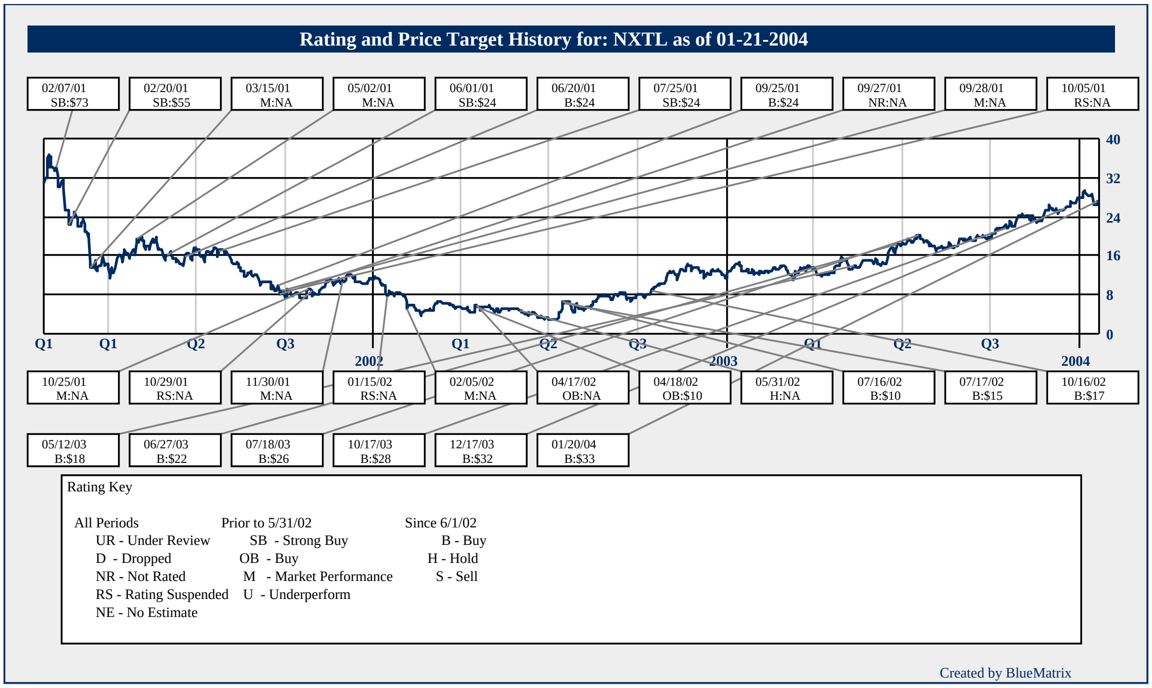

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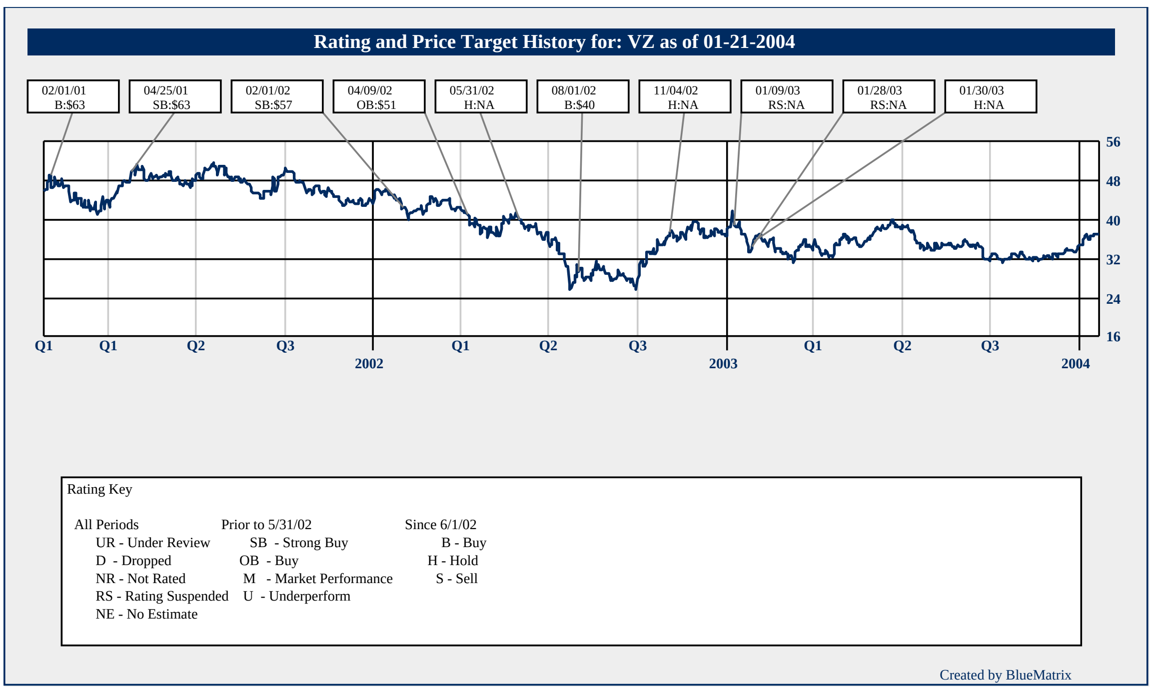

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Additional Information Available Upon Request

Pro Forma Analysis of
Cingular/ATT Wireless Transaction as of Feb 17, 2004

Shares Outstanding(M)*	2,733	
Share Price	$ 15.00	
Equity(M)		$ 40,995
Long Term Debt	10,607	
Preferred Stock	171	
Cash	(4,205)	
Net "Debt"		6,573
Mkt Value of Invested Capital		47,568
Working Cap Surplus/(Deficit)		123
Investment in Unconsol. Subs		(1,816)
Net Wireless Value(M)		$ 45,875
Tangible Assets(M)		$ 16,068
# Customers	22,000	
CPGA	392	
Customer Relationships Value		8,624
License Value(M)		$ 21,183
Pops(M)	274	
MHz	33	
MHz Pops		9,042
License/MHz Pop		$ 2.34
Kane Reece Appraisal as of 12/02		$ 1.82
Impact on KR Appraisal of Cingular/ATT		$ 2.11

* Incl's DoCoMo's Mand Redeem. Common Shares
Sources:
New York Times & Wall St. Journal Feb 18, 2004
S&P Data Base
AWE SEC 10Q 3rd Qtr 2003 filing
Note: Pops & MHz are Per Annalysts Reports Referrenced In
Kane Reece Wireless License Appraisal as of !2/02