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

ROBERT E. OTT, CFA
Principal

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***Via Email***

Mr. Donald C. Brittingham
Director - Wireless/Spectrum Policy
Verizon Communications
1300 I Street NW
Suite 400W
Washington, DC 20005

Mr. John Bareham
Director - Business Development
Verizon Wireless
180 Washington Valley Road
Bedminster, NJ 07921

Dear Messrs. Brittingham & Bareham:

Kane Reece Associates, Inc. ("Kane Reece") has prepared the attached analysis of the report prepared by American Appraisal Associates ("American") and filed by Nextel Communications, Inc. ("Nextel") on May 6, 2004 with the Federal Communications Commission ("FCC") in WT Docket 02-55. That report provides a critique of Kane Reece's Appraisal of Nextel's proposed Consensus Plan and Kane Reece's subsequent reports regarding this Appraisal, filed by Verizon Wireless in the same FCC proceeding. As described herein, American's analysis is significantly flawed.

The Kane Reece Appraisal assessed the fair market value as of December 31, 2002 of Nextel's current spectrum holdings as well as the value of spectrum that Nextel would acquire under the proposed Consensus Plan. This Appraisal, which was included in Verizon Wireless' Ex Parte submission of October 27, 2003, concludes, "If the Consensus Plan were adopted, the value of Nextel's spectrum holdings would increase by $7.2 billion." American critiques the Kane Reece Appraisal, as well as subsequent reports prepared by Kane Reece (dated February 9, 2004 and April 8, 2004) which responded to reports prepared by the Sun Fire Group and Greg Rosston, respectively. The Sun Fire and Rosston Reports were both commissioned by Nextel. American alleges certain errors in Kane Reece's methodology that are unequivocally without any basis in regard to valuation theory or practice.

Kane Reece stands by its conclusion that the fair market value of the 1.9 GHz spectrum Nextel would receive under its proposed Consensus Plan is at least $5.28 billion and that Nextel will enjoy at least a $7.2 billion increase in the value of its overall spectrum holdings were the FCC to approve that Plan. The methodology we employed in our Appraisal is consistent with standard investment banking industry practice and with Uniform Standards of Professional Appraisal Practice ("USPAP"). The valuations we reached in our Appraisal are accurate representations of the fair market value of the 700, 800 and 900 MHz spectrum that Nextel proposes to give up and the 800 MHz and 1.9 GHz spectrum that Nextel proposes to receive under the Consensus Plan. The attached report explains why each of American's criticisms of the Kane Reece Reports is invalid, erroneous and inconsistent with industry practice.

American's analysis is not consistent with standard investment banking industry practice and is not in compliance with USPAP. Richard Billovits, the author of the American Report, critiques Kane Reece's methodology and conclusions without apparently ever reading the Kane Reece Reports since many of his "problems" with the Reports have already adequately and correctly been addressed. To allege that our Appraisal is "noncompliant with USPAP requirements" is slanderous, incorrect and beyond the pale.

Rather than prepare its own valuation or appraisal of the Consensus Plan, American merely criticizes our Appraisal. However, its assertions are blatantly misleading and incorrect:

- American suggests outdated discount rates that are not valid for an industry appraisal. Contrary to American's allegation, Wall Street analysts' reports do in fact support the reasonableness of the discount rate derived by Kane Reece.
- There is no incremental risk associated with the 1.9 GHz spectrum valuation model. The risks cited by American are typical industry risks and already incorporated in the industry weighted average cost of capital (WACC), which was included in the Kane Reece Appraisal.
- American incorrectly states that terminal value growth rates should be related to revenue growth and not cash flow growth. The DCF method measures cash flow, <u>not</u> revenue. Dividends come from cash flow, not revenue.
- American falsely alleges that a control premium is not appropriate to value a company business enterprise value ("BEV"). We have previously cited numerous textbook sources for the proper application of this valuation process, and have conservatively applied a 30% control premium. Our BEV analysis and our inclusion of a control premium does not incorporate any synergy as American infers.
- American alleges that the high investor value of Nextel's spectrum relative to the industry average is evidence that there is no spectrum impairment for Nextel's 700 MHz, lower 800 MHz or 900 MHz spectrum. This analysis is flawed, and does not recognize the fact that the spectrum Nextel proposes to turn in does not generate revenue and

cash flow near the level of the industry, if at all, and in any event is impaired relative to spectrum that is contiguous and unencumbered.

- American does agree with Kane Reece that single market transactions cannot be used to determine fair market value. The Sun Fire analysis Nextel commissioned, however, relies on just such transactions. American thus confirms that the Sun Fire analysis is invalid.
- In our previous reports, we noted a number of reasons why our Appraisal relied on conservative assumptions as to valuation and thus may understate the full value of the windfall Nextel would receive under its plan. American does not dispute any of those assumptions.

American's allegations are wrong. Kane Reece conducted its appraisal of the proposed Consensus Plan in full compliance with USPAP and standard industry practice. We would note that the residual method of valuing FCC licenses that Kane Reece has employed is consistent with the appraisal approach used by Nextel in its 2002 and 2003 SEC 10K filings.

Respectfully Submitted,

Kane Reece Associates, Inc

KANE REECE ASSOCIATES INC.

**Response To: American Appraisal Associates Critique Report**
**Pertaining to the Kane Reece Spectrum Valuation Appraisal**

## Summary

On May 6, 2004, Nextel Communications Inc. ("Nextel") submitted a filing to the FCC that included a report prepared by American Appraisal Associates, Inc. ("American"). In its report, American criticizes Kane Reece's Appraisal of the proposed Consensus Plan as well as subsequent reports prepared by Kane Reece, in response to the Sun Fire and Rosston Reports, and filed by Verizon Wireless with the FCC. The American Report, authored by Richard Billovits, alleges that Kane Reece used "inaccurate financial assumptions and errors in methodology," and thus, cannot be relied on to base a valuation of the spectrum that is the subject of the Consensus Plan. This report responds to the American Report and demonstrates clearly why American is wrong in its conclusions.

American is correct in noting that it is inappropriate to base a fair market value determination on single market transactions. Of course, as we have repeatedly stated to the FCC in response to previous allegations from Nextel and its consultants, Kane Reece did not base its valuation on such transactions. Our Comparable Sales Approach examined recent transactions for the purpose of validating the reasonableness of our analysis. In doing so, we looked at many transactions, but appropriately gave more weight to those that involved a larger number of markets. We analyzed only those transactions that were arm's length, and thus, did not include the Chadmoore and Neoworld transactions incorrectly used by Sun Fire. American's analysis confirms our conclusion that Sun Fire's analysis was flawed in its use of such transactions. As our report will demonstrate, in virtually every other respect, American's analysis is severely flawed:

1. American suggests discount rates that are not appropriate for an industry appraisal.
2. American uses incorrect terminal value growth rates.
3. American falsely alleges that a control premium is not appropriate to value a company business enterprise value ("BEV").
4. American falsely alleges that the high investor value of Nextel's spectrum relative to the industry average is evidence that there is no spectrum impairment for Nextel's 700 MHz, lower 800 MHz or 900 MHz spectrum.

American neglects to acknowledge that proper valuation methodology dictates that all available approaches to valuation be analyzed. Kane Reece has done that and reconciled all valuation indications under the market and income approaches to value. Contrary to the allegations of Mr. Billovits, the Kane Reece Appraisal is in full compliance with USPAP. Billovits is quite simply wrong in his allegations that Kane Reece's analysis contains numerous "flaws," and we are shocked at his blatant misuse of USPAP standards. American has not presented any valid evidence, based on any financial, economic or technical standard, to support its claim that Kane Reece's Appraisal is flawed. Indeed, it cannot because its claim is not valid.

We reiterate that our Appraisal included all the valuation methods required by USPAP, and we have correctly concluded that the various methods all support our value conclusion of $1.82 per MHz Pop as of December 31, 2002. As we previously noted, and Nextel has not and cannot refute, wireless industry valuations have increased significantly since 2002, and therefore, the value of the subject spectrum has increased as of the current date. This in turn increases the windfall to Nextel.

**Discount Rate**

American ignores the reality of the consolidated/consolidating marketplace. Fair market value envisions a market of knowledgeable and capable buyers and sellers. The market price for raw spectrum, a scarce and valuable public resource, will be bid up by the few large industry participants until the lowest acceptable return is achieved. Thus, the Kane Reece discount rate is intended to reflect the overall risk in the industry, not that of any one company. American seems to have ignored this by focusing on company specific estimates; even though it was thoroughly spelled out in the Kane Reece reports. The well-established Capital Markets Theory that underpins the Capital Asset Pricing Model ("CAPM") would hold that because of diversification, the risk for a sector/industry is lower than that of any one company within a sector/industry.

American alleges that the discount rate of 11% used by Kane Reece in its DCF analyses is too low. American bases this supposition upon three Wall Street analyst reports published in the 4th quarter of 2002 that imply discount rates for AT&T Wireless, Nextel and Sprint PCS are between 11.0% and 15.0%, These analyst reports are not the analyst reports referenced in the Kane Reece Appraisal as they do not reflect the actual wireless industry results for year-end 2002, the date of our valuation. As noted in our Appraisal, our objective was to provide the Commission with as current a valuation measure as possible. Given that many of the publicly reported financial and operational statistics are only reported after the year-end 2002 SEC filings, we reviewed the analyst reports issued immediately after the end of 2002.

Six prominent Wall Street Analyst Reports, issued between January 2003 and May 2003, (which addressed year-end 2002 results) indicate discount rates averaging between 10.0% and 10.7% and with a median of between 10.2% and 10.8%.

**Select Wall St Analyst's Weighted Average Cost of Capital**
**For Wireless Companies**

| | Nextel | AT&T | Sprint |
|---|---|---|---|
| Goldman Sachs, Jan 23, 2003 | 11.3% | 10.4% | 10.0% |
| Deutsche Bank, Feb 18, 2003 | 10.0% | 9.0% | 10.0% |
| Merrill Lynch, Feb 21, 2003 | 11.0% | 10.5% | 11.0% |
| Morgan Stanley, Apr 23, 2003 | 11.0% | NA | NA |
| JP Morgan, May 12, 2003 | 10.5% | 10.1% | NA |
| Bear Sterns, May 2003 | 10.2% | 10.2% | 11.5% |
| Mean | 10.7% | 10.0% | 10.6% |
| Median | 10.8% | 10.2% | 10.5% |

Note: Kane Reece Calculated Discount Rate is 11%.

American did not attempt to determine its own appropriate discount rate for the 1.9 GHz valuation, nor our non-public wireless company valuations. Mr. Billovits apparently did not read the analyst reports to which he refers because if he had, he would have noticed that the analysts apply the discount rate only to the early years of cash flow and then apply a different methodology, an EBITDA multiple, to determine the terminal value. Therefore, American is incorrect in alleging that its Wall St. discount rates are appropriate for our analysis. Kane Reece did not use the Wall St. analyst report's discount rates in our DCF valuation models. Instead, we derived the industry cost of capital of 11% using proper and appropriate valuation tools, such as the CAPM model and weighted average cost of capital (WACC). The analyst reports cited in our Appraisal (and listed on the previous page) were included as a check to demonstrate the reasonableness of our analysis, which they do.

American is also incorrect in attempting to infer the applicability of a single company discount rate to our entire industry valuation. Risk diversification alone would warrant a lower discount rate than individual companies. American conveniently dismisses certain analyst reports that indicate a lower cost of capital (i.e., J.P. Morgan, Spring 2003), and bases its wireless industry WACC conclusion on outdated information from only three analyst reports for only three wireless companies (which excluded two of the largest, Verizon and Cingular).

American alleges that Kane Reece erred by not considering additional risks to its industry cost of capital for the Kane Reece 1.9 GHz "incremental 'start-up' operation" by a large wireless company.[1] The risks to which American refers are the normal industry risks that all participants are exposed to. The universe of acquirers for the subject 1.9 GHz spectrum are large, existing wireless industry companies many of whom have wireless networks that operate on more than one frequency band. This spectrum simply provides added capacity to an existing business. There is neither new product nor new technology incremental risk.

Implicitly, our DCF model has built into the forecast, through its conservative "ramp-up" of customer penetration, sufficient risk consideration. American should recognize that risk can be properly addressed in the underlying projections as opposed to solely through the discount rate. American states in footnote 1 that a "multiple of risks that can

[1] American alleges that "Risks that would be borne as a result of this "incremental start-up" could include financing risk, risks as to the actual need for the additional bandwidth to service its customers, the risk of obtaining subscribers, risks of future growth (due to additional wireless penetration, pricing, minutes of use, etc.), technology risks which could not occur over the next six years, the risks and costs of clearing BAS and unlicensed PCS operations (the cost of which do not appear to be in Kane Reece's valuation model), and a multitude of risks that can only be guessed at."

only be guessed at" apply to the 1.9 GHz valuation, but it does not even attempt to guess. It does not identify one specific risk that Kane Reece has not already addressed.

If Mr. Billovits has not (as stated) tested the Kane Reece forecast for reasonableness, how can he possibly comment on the reasonableness of the Kane Reece derived discount rate? We can only assume that Billovits is not knowledgeable about the wireless industry and cannot assess the risk in our model.

Billovits also alleges that Kane Reece's analysis is inconsistent because "virtually no taxes are removed from the cash flows during the projection period" and it applied an after-tax discount rate. If Billovits were experienced in valuing the assets of wireless companies, he should recognize that the amortization of intangible assets inherent in the business can provide near-term "tax-sheltering" of income. However, our analysis fully taxed operating income after the expiration of these amortization effects, in particular for the terminal value determination, where a significant portion of the value is derived. The tax effect was clearly explained and rebutted in our response to the Sun Fire Report. We must assume that Billovits did not read it. Standard industry practice for conducting a DCF analysis is to calculate the present value of free cash flow on a debt free, after tax basis. This is exactly what the Kane Reece Appraisal does.

Additionally, as another indication of how values have risen since December 2002, the discount rates used by analysts have decreased since the period reflected in Kane Reece's initial Appraisal. One year later, the discount rates average close to one percent lower (i.e., 10%). As American confirms in its analysis, a lower discount rate would result in materially higher valuations, indicating an even greater windfall to Nextel than originally estimated by Kane Reece.

**Terminal Growth Rate**

American alleges errors in Kane Reece's choice of a terminal growth rate. Conversely, it is American that has erred in its analysis. American states: "typically, a terminal growth rate reflects revenue growth and not improvement in operating margins." This is simply wrong as any financial or valuation textbook will profess. A DCF analysis measures value through cash flow, not revenue. The terminal value uses a "dividend discount model" and is based on free cash flow which is where dividends come from.

Contrary to what American states, our analysis in exhibit B of our Appraisal clearly demonstrates that we do not indicate a growth rate of 6.3% in the terminal years, nor do we project 6.3% growth for the five years following year ten. We employ the multi-stage growth model, a useful analytical tool for appraising growth companies. This model scales the terminal year cash flow growth of 9.3% down to our long-term perpetuity growth rate of 3% during the five years following our forecast period. The math, using present value calculations, correctly determines a 4.0% long-term growth rate to be applicable to year eleven's free cash flow.

American's observation that discount rate and growth have an effect on value is stating the obvious. However, its "1.9 GHz valuation sensitivity" table on page seven of its report takes this to such an extreme that it is ludicrous. It is unbelievable that American would suggest that conditions could be such that the 1.9 GHz spectrum is worth practically nothing.

When discussing the non-public wireless company valuations, American incorrectly states that "it would be more appropriate to use a lower terminal growth rate" than the one employed by Kane Reece. However, American neglects to tell the Commission that its growth rate table on page eight is based on Verizon Wireless, Cingular and T-Mobile revenue growth, NOT cash flow growth. American is simply wrong to use revenue growth to measure cash flow value.[2]

**Control Premium**

American objects to the application of a control premium to the minority share price of a publicly traded wireless company because it claims that "the majority of a control premium in a transaction is related to synergies." However, it offers no documentation

[2] See for example: Aswath Damordaran, *Investment Valuation*, John Wiley & Sons, Inc., Ney York, 2002.

to support this claim. We believe it cannot offer such evidence because the claim is not correct.

One only has to look at the Cingular-AWE transaction to understand the importance of a control premium in the valuation of spectrum. Cingular announced an informal bid on January 20, 2004 for AT&T Wireless.[3] The bid price of approximately $11 per share represented a 36% premium over the share price five days prior to the announcement. This is the standard "window" for measuring control premium by *Mergerstat Review*, a firm that publishes control premium data. The winning final bid by Cingular was $15 per share (total bid $41 Billion).[4] This represents an approximate 85% control premium. If Billovits believes that all or even the majority of this premium is synergy, to be "made-up" through cost savings, his credibility is severely undermined.

American quotes Shannon Pratt in order to imply that control premiums do not apply to the wireless industry and that elements of investment value are reflected in such premiums.[5] The quote from Pratt notes the "exception for industries under consolidation where there are multiple buyers that constitute an effective and relatively predictable market". This precisely reflects the current situation in the wireless industry, and therefore, American's premise is wrong from the start.

Secondly, Pratt states that only "elements" of investment value or synergy may be incorporated in a control premium, not that the entire or majority of the premium is synergy. Kane Reece understands that synergy can be an element of control premium, and for that reason it has conservatively derived a 30% premium from Mergerstat data over the last five years by eliminating small company transactions where the potential for synergy is more pronounced. The actual annual average control premium published

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3 Reuters.com, *Cingular bids for AT&T Wireless*, January 20, 2004

4 Yahoo News, February 17, 2004, *Cingular to Buy AT&T Wireless for $41 Billion*

5 "Most analysts concur that with the possible exception of industries under consolidation where there are multiple buyers that constitute an effective and relatively predictable market, acquisition premiums observed for public companies generally tend to overstate the pure control premium that could be included in the fair market value of a controlling interest compared with a minority interest. Instead, such premiums usually reflect value to a particular buyer, and therefore reflect elements of investment value over and above fair market value." Shannon P. Pratt *Business Valuation Discounts and Premiums*, (New York: John Wiley & Sons, Inc., 2001, p. 60

by Mergerstat for the 1998-2002 time frame for the communications sector was 54.6% and for the year 2002 was 53.1%.

American alleges that Wall Street analyst reports did not include synergies in their forecasts. This allegation is pure unsupported speculation. The analysts clearly assume that the management teams of wireless companies are properly striving to maximize shareholder value. Otherwise, they would be obligated to negatively rate the stock. As evidence that the typical Wall Street analyst DCF does not reflect a minority interest basis and does reflect a controlling interest BEV, we note the Morgan Stanley April 23, 2003 report on Nextel. After deriving a DCF valuation indication, using an 11% discount rate, the analyst applies a 25% discount to the BEV in order to reflect the private to public market discount prevalent in the communications industry.[6] This discount is used to adjust the control - based BEV to a minority, per share valuation which is the typical practice of Wall Street reports. The inverse of the 25% discount equates to a 33% control premium as shown below:

Example of Control Premium Applied by Morgan Stanley
To Nextel's Valuation, April 23, 2003

| | |
|---|---|
| Base DCF Value (control basis) | 100 |
| Discount @ 25% | 25 |
| Trade Price (minority basis) | 75 |
| Control Premium | $33\% = \left(\frac{100}{75}\right) -1$ |

American alleges that Kane Reece ignores other intangible assets and applies the control premium to FCC licenses. American is incorrect. As stated in Kane Reece's responses to the Sun Fire and Rosston reports, the other intangible assets that may exist in a wireless company are typically nominal in value and de minimus to our value conclusion. Evidence of this fact is found in Nextel's 2003 SEC Form 10K where Nextel discusses its approach to valuing its FCC licenses. In its SEC filing, Nextel (i) uses a valuation methodology identical to that employed by Kane Reece, (ii) determines the

[6] See also Kane Reece's rebuttal of the Sun Fire Report (page 8) where we noted a similar discount to Sprint's DCF derived BEV

FCC license value as the residual asset, and (iii) states that any goodwill or going concern value is associated with the license and is inseparable from the license.[7]

Kane Reece does not apply a control premium to FCC licenses as American states. We apply it to the BEV value of the companies comprising the wireless industry. Kane Reece has employed a "belt and suspenders" approach to our appraisal by tying together all value indicators derived under the DCF, comparable system sales, Public Guideline Company, and comparable spectrum sales methods and concluding that our overall value conclusion is reasonable. American ignores this fact by attempting to attack individual elements that are not supported by the marketplace.

American indicates that Kane Reece did not follow the J.P. Morgan Study it referenced in its Appraisal.[8] That is simply because our objective and purpose is different than J.P. Morgan's. Kane Reece adjusts the BEV for net PP&E, not gross PP&E, because net PP&E is a better proxy for FMV. We are surprised that American would suggest that un-depreciated PP&E is a better source of tangible asset FMV for used assets. Net Book Value ("NBV") more closely approximates FMV because of two characteristics of the wireless industry: 1) the tangible assets are typically depreciated over a relatively short (5-10 year) period because they are replaced frequently with more efficient, next generation equipment; and 2) the manufacturing learning curve for this type of equipment typically results in newer equipment costing less than earlier generation equipment. American also indicates that J.P. Morgan does not remove customer-based asset value, while Kane Reece does. By doing so, we are obviously <u>reducing</u>, not increasing, the value of the spectrum. Additionally, J.P. Morgan does not apply a control premium because its analysis is presented on a minority, per share basis. We note that this residual approach to license value, as conducted by J.P. Morgan as well as Kane

[7] "Except for these deferred tax effects, the residual in the purchase price allocation was accounted for as FCC Licenses. The goodwill arose from transaction predominately involving the acquisition of FCC Licenses and we believe that the values of our FCC Licenses all goodwill are inseparable". [Nextel SEC Form 10K, as of December 31, 2003, page F-25.]
[8] JP Morgan Chase Securities, Inc. *Mobile Metrics-Spring 2003,* March 12, 2003, p.8

Reece, is consistent with Nextel's own valuation methodology, as noted in its 2002 and 2003 SEC 10k filings.[9]

**Comparable Sales Approach**

American argues that the wide variability of comparable sales values cited by Kane Reece renders them unusable, and uses this as evidence to support its claim that the Kane Reece Appraisal is flawed. However, Kane Reece did not use comparable sales to derive a FMV for the subject spectrum, only to confirm the reasonableness of our analysis. As noted in our Appraisal, they do lend corroborating support for our value conclusion. In particular, the Northcoast-Verizon and NextWave-Cingular transactions represent large blocks of PCS spectrum, covering large population centers (but not nationwide as Nextel requests). These arms-length transactions confirm the reasonableness of our $1.82 per MHz pop value conclusion.

By comparison, the Chadmoore and Neoworld transactions identified by Sun Fire provide no support for a FMV analysis because they are not arms-length transactions. Kane Reece has already addressed at length the flaws in the Sun Fire analysis, and we refer you to our earlier report for more detail. Importantly, American agrees with our assessment that single market transactions cannot be used to determine spectrum FMV, and thus it confirms our conclusion that the Sun Fire analysis is flawed.

**Impairment Analysis**

American states "we do not find it reasonable that Nextel's bandwidth is impaired when Nextel's bandwidth is worth considerably more than the industry average." Kane Reece has stated throughout its various reports that there is considerable variation between how different companies value spectrum ("investor value"), and indeed, Nextel's investor value is higher than the industry average. However, that has no bearing on whether certain portions of Nextel's spectrum, i.e., those that are encumbered and non-contiguous, are worth substantially less than the industry average on a FMV basis.

[9] Verizon Wireless Ex Parte filing in WT Docket 02-55, dated April 8, 2004

The investor value concept is simply that each wireless company is “rewarded” on a relative basis by the marketplace based on its respective current and projected financial and operational performance. Companies that make more efficient use of their tangible assets by employing state-of-the-art technology to improve capacity or that efficiently market and maintain customers will properly reflect a higher spectrum value. We concur that Nextel has made good use of its upper 800 MHz band spectrum. While this spectrum may have a relatively high value to Nextel, that does not mean that it, or more significantly, the impaired portion of Nextel’s spectrum would have the same value to any other wireless company.

Since Nextel alleges that the cash flow attributable to specific licenses are the appropriate measure of value for a particular band of spectrum, then we challenge Nextel to provide the FCC with information regarding its relative minutes of use utilization of the 700 MHz band[10], lower 800 MHz band, and the 900 MHz band, or more importantly, the cash flow that is currently generated by these portions of Nextel’s spectrum. We believe the cash flow generation capability of the above portions of Nextel’s spectrum is significantly lower than its upper 800 MHz band and also lower relative to the average industry spectrum. Therefore, we conclude that the majority of the value of Nextel’s spectrum lies in its upper 800 MHz licenses.

**Conclusion**

American alludes to “inaccurate financial assumptions and errors in methodology” in the Kane Reece Reports. We are shocked at the author’s blatant misuse of USPAP standards. Not one of Billovits’ numerous alleged “flaws” in Kane Reece’s Appraisal have been proven to be supported by any financial, economic or technical standard. We stand by our original Appraisal that adoption of the Consensus Plan would result in a substantial spectrum windfall to Nextel.

[10] Nextel states in its 2003 SEC Form 10K that, “these 700 MHZ licenses are not currently used in our network.”[Nextel SEC Form 10K, as of December 31, 2003, page F-25.]