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Valuation of AirThread Connections

In early December 2007, Robert Zimmerman, senior vice president of business development for American Cable Communications (ACC), was in his office sifting through a number of investment banking proposals related to potential acquisition targets when he paused to consider the recent presentation made by Rubinstein & Ross (R&R).

Rubinstein & Ross was a boutique investment bank with a strong reputation for doing deals in the media and telecommunications sector. During that meeting, Elliot Bianco pitched the idea of American Cable buying out AirThread Connections, a large regional cellular provider. The basic premise of the AirThread acquisition was threefold.

First, American Cable and AirThread could help each other compete in an industry that was moving more and more toward bundled service offerings. American Cable currently offered video, internet, and landline telephony, but did not have any kind of wireless offerings. This gap in product offerings had so far been exploited only modestly by competitors—primarily incumbent local exchange carriers (ILEC's) with wireless networks—but as those firms grow their video offerings the problem was expected to become more acute. Additionally, American Cable saw a looming competitive threat from advanced wireless networks based on the 802.16n standard for mobile WiMAX. Those networks are expected to be able to deliver not only wireless telephony but also internet service with throughput similar to that which is currently offered by cable providers. AirThread, for its part, faced similar pressures with respect to the same set of competitors because it didn't offer landline or internet service. However, unlike ACC, AirThread was feeling the pressure more immediately in the form of higher customer acquisition and retention costs, plus slower growth.

Second, the acquisition could help both companies expand into the business market. Both firms had customer bases that were heavily reliant on retail/residential customers. In the case of American Cable, this had resulted in a lack of long-term service contracts, which could have increased the stability and reliability of the company's revenues. In turn, this would also have had the beneficial effect of reducing the risk associated with ACC's operations. Furthermore, expanding into the business segment would help each firm increase its network utilization and, as a result, increase its cost efficiency.

HBS Professor Erik Stafford and Joel L. Heilprin, Illinois Institute of Technology Finance Professor and Managing Director of 59th Street Partners prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. This case, though based on real events, is fictionalized, and any resemblance to actual persons or entities is coincidental. There are occasional references to actual companies in the narration.

Third, American Cable was in a unique position to add value to AirThread's operations. AirThread had a cost disadvantage relative to its main wireless competitors owned by ILECs. A large portion of wireless network operating costs related to moving traffic from cell towers to central switching offices using either landlines leased from competitors or technically cumbersome microwave equipment. A preliminary study by Rubinstein & Ross estimated that use of American Cable's fiber lines could have saved AirThread more than 20% in backhaul costs.

In addition to the strategic fit, R&R believed that it could obtain a significant amount of debt financing for an AirThread acquisition. Bianco was confident that the high quality of AirThread's network assets, its valuable wireless spectrum licenses, and its steady cash flow would merit a debt to value ratio as high as 45% to 50% based on EBITDA coverage ratios exceeding 5.0x.[1]

American Cable Communications

In December of 2007, American Cable Communications (ACC) was one of the largest cable operators in the United States. The company's cable systems passed roughly 48.5 million homes and served approximately 24.1 million video subscribers, 13.2 million high-speed internet subscribers, and 4.6 million landline telephony subscribers. Consolidated revenue for 2007 was expected to be $30.9 billion with net income of $2.6 billion.

Overview of Cable Industry Dynamics

The cable industry had been rapidly transforming over the last decade as a result of advances in technology, changes in regulation, and shifts in competitive dynamics. In turn, these forces had been driving large investments in network infrastructure that require commensurate increases in the customer base to effectively utilize the new capacity. It was this need to acquire economies of scale and scope that led American Cable's executives to believe that only a handful of very large network providers would survive into the future. The smaller companies would eventually be weeded out through industry consolidation. As a result, American Cable became an aggressive acquirer.

American Cable's Business Development Group

American Cable's business development group has been tasked with the primary goal of increasing the company's customer base as a means to fuel both top line growth and network utilization. From 1999 through 2005, ACC's business development group spearheaded more than $15.0 billion of acquisitions and, as a result, the company believed it had developed a strong corporate finance team with significant acumen in identifying, valuing, structuring, and executing corporate control transactions. In addition, the company also believed that its experience as an acquirer had allowed it to develop unique operational know-how in the area of merger integration.

Furthermore, the company believed that its core competency as an acquirer would continue to play a fundamental role in its future success. With the rapidly increasing costs of acquiring new customers and the high penetration rates in video and high speed internet, the group surmised that the only way to achieve meaningful customer growth would be through additional acquisitions.

American Cable's acquisition process began with the screening of potential communications service providers that operate in territories adjacent to, or within, the firm's existing regions. Next, a basic investment thesis was developed that outlined the acquisition benefits in terms of the strategic fit of a

[1] EBITDA coverage ratio is EBITDA/total interest expense.

target company's assets and operations with those of American Cable, the potential synergies from a merger, the likely price of the target relative to an estimate of its intrinsic value, and the acquisition's likely effect on the competitive dynamics within the industry.

After the initial screening, a preliminary valuation was done to estimate the target's underlying value irrespective of its current market price. The valuation techniques utilized include market multiple approaches as well as discounted cash flow methodologies, such as WACC-based DCF and APV. The capital structure assumptions employed were designed to mimic American Cable's past investment policies, which were to purchase the target with a significant amount of debt and then pay down the debt to a sustainable long-term level that was in line with industry norms. The company's use of acquisition leverage was modeled after the classic LBO approach used by many private equity firms. The goal was to use a tax-efficient structure that maximizes investor returns by minimizing the amount of up-front equity invested in the deal.

AirThread Connections Business

AirThread Connections (ATC) was one of the largest regional wireless companies in the United States, providing service in more than 200 markets in five geographic regions. The company's 2007 revenue and operating incomes were expected to be approximately $3.9 billion and $400 million respectively. The firm's networks covered a total population of more than 80 million people. In addition, AirThread had an extensive set of roaming agreements with other carriers to provide its customers with coverage in areas where the company did not operate a network. **Table 1** depicts the company's wireless ownership interests.

Table 1 Wireless Licenses

Operating Markets	209
Non-Operating Markets	9
Markets In Which ATC Has A Controlling Interest	**218**
Markets To Be Acquired Under Existing Purchase Agreements	25
Non-Controlling Investment Interests	17
Total Markets	**260**

Exhibit 2 provides additional details on the company's customers and penetration rates by region for its total consolidated markets and operating markets.[2] AirThread also intended to continue to expand its network operating area by participating in FCC auctions for wireless spectrum in regions adjacent to its existing networks.

AirThread Connections' Competitive Environment

The wireless communications market was intensely competitive. AirThread competed directly with anywhere from three to five major competitors in each of its markets. These competitors included all of the national wireless carriers, which had substantially greater financial, marketing, sales, distribution, and technical resources. Competition among the carriers was generally based on price, service area size, call quality, and customer service.

[2] Total consolidated markets are markets for which the company has operating licenses but may not provide service. Operating markets are markets for which the company provides service.

Competitive Challenges for AirThread Connections

In addition to the intense competitive atmosphere there were several challenges facing AirThread. The most pressing of these challenges related to an operating cost disadvantage vis-à-vis the ILEC-owned wireless companies. In order to move wireless traffic from a cell tower to a central switching office required either leasing telephone lines from the local carrier or investing in very expensive microwave transmission equipment, which was oftentimes technically difficult to employ due to line of site requirements. As a result, AirThread estimated that its system operating costs were approximately 20% higher than those of its main rivals.

A second source competitive disadvantage related to the company's inability to bundle its wireless service with other offerings such as landline telephony, internet access, and video services. Most of the national carriers with whom AirThread competed could provide at least two of those services. In order to effectively attract and retain customers, the firm had to offer superior customer service and aggressive pricing packages in terms of monthly service fees and equipment subsidies. Consequently, average revenue per minute decreased from 6.71 cents to 5.95 cents over the past fiscal year, and the cost of acquiring a new customer had increased from $372 in 2005 to $487 in 2007 (see **Exhibit 3**).

Finally, because most businesses required reliable high-speed internet and landline telephony service, the recent trend toward bundled services had, to a large extent, frozen ATC out of the business market. In turn, this was a limiting factor for future growth and increased network utilization.

AirThread Connection's Recent Financial Performance

As the income statement in **Exhibit 4** indicates, the company had experienced improvements in revenue growth and operating margins. Management attributed much of the improvement in operating margins to improvements in the firm's increased asset efficiency and network utilization rate, which is evidenced by the increasing return on net operating assets and asset turnover ratios shown in **Table 2** (see balance sheet in **Exhibit 5**).

Table 2

	2005	2006	2007
Return on Net Operating Assets	3.6%	5.0%	7.1%
Return on Equity	5.7%	6.0%	9.8%
Asset Turnover Ratio	87.3%	94.4%	103.4%

Improving financial results notwithstanding, AirThread still faced some significant financial pressures. As discussed earlier, the wireless communications market was extremely competitive, and to a large extent it had been commoditized. The company's CFO, Michael Balistreri, put it best during a recent board meeting:

"In a commoditized industry, it is usually the low-cost producer that survives and thrives."

The aforementioned sentiment was particularly relevant in light of the company's relative performance. As seen in **Table 3**, compared with its primary rivals, AirThread had lower operating and EBITDA margins, which largely reflected the previously discussed competitive disadvantages.

Table 3

	EBIT Margin	EBITDA Margin	Net Income Margin
Comparable Companies			
Universal Mobile	26.9%	38.6%	8.6%
Neuberger Wireless	16.4%	33.0%	9.6%
Agile Connections	4.7%	28.6%	-0.1%
Big Country Communications	17.2%	32.4%	8.7%
Rocky Mountain Wireless	12.6%	25.3%	5.9%
Average	**15.6%**	**31.6%**	**6.6%**
AirThread	**11.4%**	**26.2%**	**8.0%**

The net result was that AirThread's long-term survival as an independent company was in doubt by a growing number of people within the communications industry. In fact, some had argued that the company needed to find a suitor before its market position became untenable.

Valuation of AirThread

Given the potential importance and complexity of a possible AirThread acquisition, Zimmerman decided to tap Jennifer Zhang, an up-and-coming senior associate from the University of Chicago, to conduct the initial valuation of AirThread. As Ms. Zhang contemplated her new assignment, she decided to take a methodical step-by-step approach to the valuation by focusing on projecting the operating results, estimating the appropriate cost of capital and quantifying the potential synergies that might result from combining the two companies. Further, she wanted to keep things simple by assuming a stock purchase using the maximum amount of leverage available. Finally, she decided that the nonoperating assets and liabilities should be valued separately so that the attention remained squarely on the ongoing operations.

Operating Results

As a starting point, Jennifer decided to create a base case using historical operating results as a guide, and then create an upside case that considered possible synergies. In both cases, Jennifer based her projections on AirThread's most recent financial performance (**Exhibit 1** shows the projected operating results). The decline in the service revenue growth rate reflected continued deterioration in the revenue per minute of airtime as well as the continued maturation of cellular telephony.

With respect to the income from investments, Jennifer believed that it was primarily due to AirThread's cash and marketable securities, which would probably be used to finance part of an eventual acquisition. Consequently, the cash flows were not included in her projections. As for the equity in affiliates, the results reflected AirThread's share in the net income of unconsolidated firms where no controlling interest existed. This presented two problems. First, the company's share of the net income was unlikely to be equal to any cash dividend received. Second, without thorough due diligence, it would be impossible to project the free cash flows for those minority interest equity investments. As a result, Jennifer believed that the investments could be valued using a market multiple approach[3].

[3] The historic P/E multiple for the industry was approximately 19.095x.

Potential Synergies

With regard to estimating synergies, Jennifer realized that such efforts are notoriously difficult to quantify even when there is a reasonable basis for assuming their existence. As a result, she decided to segregate the potential synergies into various categories. The easiest source of value to identify was the reduction in AirThread's backhaul costs, which were approximately 20% of the company's system operating expenses. Although Ms. Zhang believed that American Cable could reduce ATC's backhaul costs, she also knew the company would still require the use of some leased lines and microwave transmission in many areas. Moreover, she also knew the cost savings would be gradual. Consequently, Jennifer estimated the total system operating cost savings to be 6% realized over four years beginning in 2009 (see **Table 4**).

Table 4 ($MM)

	2008	2009	2010	2011	2012
Backhaul Savings					
System Operating Expenses	$ 838.9	$ 956.3	$ 1,075.8	$ 1,183.4	$ 1,266.3
Backhaul Percentage	20.0%	20.0%	20.0%	20.0%	20.0%
Estimated Backhaul Costs	**167.8**	**191.3**	**215.2**	**236.7**	**253.3**
Reduction in Backhaul Costs	0.0%	7.0%	12.0%	22.2%	30.0%
Backhaul Savings	**$ 0.0**	**$ 13.4**	**$ 25.8**	**$ 52.5**	**$ 76.0**

A more difficult set of synergies to evaluate were those related to increases in revenue resulting from cross selling and bundling AirThread's wireless service with ACC's internet, telephony, and video offerings. In particular, Ms. Zhang believed that the combined company would be able to attract business customers now that wireless, wire line, and internet service could be offered by the same provider. In estimating the additional business, Jennifer believed that the growth in business subscribers would be similar to American Cable's early telephony adoption rate, and the airtime usage would be similar to that of ATC's existing customers. However, she also estimated that the revenue per minute for business customers would be less than that charged to retail subscribers. The estimated revenue and gross profit for new wireless subscribers is shown in **Table 5**.

Table 5

	2008	2009	2010	2011	2012
Wireless Business Subscribers					
Average Monthly Subscribers (in MM's)	0.30	0.50	0.70	1.00	1.20
Average Monthly Minutes	859	885	911	939	967
Total Monthly Minutes	**258**	**442**	**638**	**939**	**1,160**
Revenue Per Minute	0.0506	0.0506	0.0506	0.0506	0.0506
Annual Business Revenue Increase ($MM)	**$ 156**	**$ 269**	**$ 387**	**$ 570**	**$ 704**

Capital Structure & Illiquidity Discount

Jennifer decided to use Bianco's recommendation of a 5% equity market risk premium, an EBITDA interest coverage ratio of 5.0x based on 2007 operating results, and/or a debt to value ratio not exceeding 50.0% when calculating the initial leverage for AirThread. However, she also wanted her preliminary valuation to conform to American Cable's established practice of paying down acquisition debt to eventually reflect industry norms. As a result, she assumed the acquisition debt would consist

of a single tranche amortizing monthly over 10 years, but with a bullet payment[4] at the end of year 5 (see **Exhibit 6**). The bullet payment would be in an amount necessary to bring AirThread's leverage ratios in line with those of the industry.

Based on the information provided by Rubinstein & Ross, Jennifer estimated that the debt rating was likely to be investment grade with a rating of BBB+ and have an interest rate of approximately 5.50%, which reflected a 125bp spread over the current yield on 10-year US Treasury bonds.

In order to estimate AirThread's beta, Ms. Zhang decided to use the comparable company information contained in **Exhibit 7**. However, the more troubling issue was how to handle the potential discount, if any, resulting from AirThread's status as a private company. In contemplating this issue Jennifer believed that it may be necessary to follow the customary practice of employing a private company discount. This discount is primarily related to the illiquidity of private investments, but also considers certain types of agency costs as well as the financial health and size of the firm. Most of the academic research of which Ms. Zhang was aware estimated the illiquidity discount to be in the range of 35%, though rules of thumb often employed by practitioners put the range in the area of 20% to 30%.[5] **Exhibit 8** provides a graphical depiction of the relationship between revenue and the illiquidity discount for profitable and unprofitable firms.

On the other hand, there was also a well-established school of thought that believed large profitable firms with the ability to go public should not trade at a discount due to their status as private companies. The reasoning is based on the notion that owners wouldn't accept an illiquidity discount because they have the public market option.[6]

Terminal Value

The final consideration for Jennifer was the handling of the terminal value calculation. Ms. Zhang was well aware that the terminal value was likely to be the single largest component of the valuation. Consequently, she decided to employ both a growth perpetuity method and a market multiple method based on the comparable company information contained in **Exhibit 7**. In terms of the long-term growth rate, Jennifer understood that it could not exceed that of the macro economy as a whole. However, she also knew that the long-term growth rate would be a function of the company's return on capital[7] and reinvestment rate.[8]

Pending Decisions

Zimmerman had a lot on his plate. There was considerable pressure, both internally and externally, to scale American Cable's business. The increased size would not only help insure that ACC would remain a viable industry player but would also help improve profitability through better network utilization. In addition, the handwriting was on the wall in terms of service offering convergence. The other major communications service providers were all making significant investments to build out

[4] A bullet payment refers to a single payment to pay off the remaining loan balance at the time of maturity.

[5] Moroney examined 146 restricted stock purchases in 1970 (35%); and Silber studied restricted issues from 1984-1989 (33.75%).

[6] The average cost of going public is estimated to be 10% of the equity issued.

[7] Return on capital is defined as net operating profit after taxes divided by the book value of equity plus debt.

[8] The reinvestment rate is defined as capital expenditures plus investments in working capital minus depreciation divided by net operating profit after taxes.

their product offering capabilities; and if American Cable didn't respond, it again risked being left behind.

Of course Zimmerman also knew there were considerable risks whenever large investments, particularly mergers, were involved. He was well aware of several high profile takeovers that ended in either eventual bankruptcy or considerable loss of shareholder value, and overpaying for a target company was one of the quickest ways to achieve disaster. As a result, he was really relying on Zhang to provide a timely concise analysis that would clearly lay out a likely estimate of the intrinsic value of AirThread's operations and non-operating assets using ACC's investment approach.

Exhibit 1 AirThread Projections ($MM)

	2008	2009	2010	2011	2012
Revenue Projections					
Service Revenue	**$ 4,194.3**	**$ 4,781.5**	**$ 5,379.2**	**$ 5,917.2**	**$ 6,331.4**
Service Revenue Growth	*14.0%*	*14.0%*	*12.5%*	*10.0%*	*7.0%*
Equipment Revenue	**314.8**	**358.8**	**403.7**	**444.1**	**475.2**
Equipment Revenue/Service Revenue[a]	*7.5%*	*7.5%*	*7.5%*	*7.5%*	*7.5%*
Operating Expenses					
System Operating Expenses	838.9	956.3	1,075.8	1,183.4	1,266.3
System Operating Exp./Service Revenue	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*
Cost of Equipment Sold	755.5	861.2	968.9	1,065.8	1,140.4
Equipment COGS	*240.0%*	*240.0%*	*240.0%*	*240.0%*	*240.0%*
Selling, General & Administrative	1,803.6	2,056.2	2,313.2	2,544.5	2,722.6
SG&A/Total Revenue	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*
Depreciation & Amortization	705.2	804.0	867.4	922.4	952.9
Tax Rate	40.0%	40.0%	40.0%	40.0%	40.0%
Working Capital Assumptions[a]					
Accounts Receivable	41.67x	41.67x	41.67x	41.67x	41.67x
Days Sales Equip. Rev.	154.36x	154.36x	154.36x	154.36x	154.36x
Prepaid Expenses	1.38%	1.38%	1.38%	1.38%	1.38%
Accounts Payable	35.54x	35.54x	35.54x	35.54x	35.54x
Deferred Serv. Revenue	14.01x	14.01x	14.01x	14.01x	14.01x
Accrued Liabilities	6.85x	6.85x	6.85x	6.85x	6.85x
Capital Expenditures[b]					
Capital Expenditures	631.3	719.7	867.4	970.1	1,055.0
Cap-x/Total Revenue	*14.0%*	*14.0%*	*15.0%*	*15.3%*	*15.5%*

[a] Based on a 360-day year. Days Payable, Deferred Service Revenue, and Days Accrued Liabilities are based on total cash operating expenses.

[b] Includes investments in property, plant & equipment, as well as licenses and customer lists.

Exhibit 2 AirThread Customer & Market Data

Total Consolidated Markets (000's)			
Region	**Population**	**Customers**	**Penetration**
Central US	65,096	3,846	5.9%
Mid-Atlantic	11,677	1,180	10.1%
New England	2,830	518	18.3%
Northwest	2,287	431	18.8%
New York	481	147	30.6%
Total	**82,371**	**6,122**	**7.4%**

Total Operating Markets (000's)			
Region	**Population**	**Customers**	**Penetration**
Central US	32,497	3,846	11.8%
Mid-Atlantic	7,346	1,180	16.1%
New England	2,344	518	22.1%
Northwest	2,287	431	18.8%
New York	481	147	30.6%
Total	**44,955**	**6,122**	**13.6%**

Exhibit 3 AirThread Customer Additions & Average Monthly Revenue

	2005	**2006**	**2007**
Customer Data			
Net Customer Additions	301	310	477
Cost Per Customer Addition	372	385	487
Cost of New Customer Additions	**111,972**	**119,350**	**232,299**
Cost of Equipment Sold/Equipment Revenue	251.3%	219.9%	239.8%
Monthly Churn Rate	2.1%	2.1%	1.7%

	2005	**2006**	**2007**
Revenue Per Minute			
Monthly ARPU	45.24	47.23	51.13
Customer Minutes Per Month	625	704	859
Revenue Per Minute	**0.0724**	**0.0671**	**0.0595**

Exhibit 4 AirThread Income Statement ($MM)

	2005	2006	2007
Operating Results			
Service Revenue	2,827.0	3,214.4	3,679.2
Plus: Equipment Sales	203.7	258.7	267.0
Total Revenue	**3,030.8**	**3,473.2**	**3,946.3**
Less: System Operating Expenses	604.1	639.7	717.1
Less: Cost of Equipment Sold	511.9	568.9	640.2
Less: Selling, General & Administrative	1,217.7	1,399.6	1,555.6
EBITDA	**697.0**	**865.0**	**1,033.3**
Less: Depreciation & Amortization	490.1	555.5	582.3
EBIT	**206.9**	**309.5**	**451.1**
Less: Interest Expense	84.9	93.7	84.7
Plus: Equity in Earnings of Affiliates	66.7	93.1	90.0
Plus: Gains (Losses) on Investments	18.1	50.8	83.1
Plus: Other Income	54.5	(46.6)	7.0
EBT	**261.3**	**313.1**	**546.5**
Less: Taxes	95.9	120.6	216.7
Income Before Minority Interest	**165.5**	**192.5**	**329.8**
Less: Minority Interest	10.5	13.0	15.1
Net Income	**$ 155.0**	**$ 179.5**	**$ 314.7**

Exhibit 5 AirThread Balance Sheet ($MM)

	2005	2006	2007
Assets			
Cash & Cash Equivalents	$ 29.0	$ 32.9	$ 204.5
Marketable Securities	0.0	249.0	16.4
Accounts Receivable	362.4	407.4	435.5
Inventory	92.7	117.2	101.0
Prepaid Expenses	32.1	35.0	41.6
Deferred Taxes	8.2	0.0	18.6
Other Current Assets	15.5	13.4	16.2
Total Current Assets	**539.9**	**854.9**	**833.8**
Property, Plant & Equipment	2,553.0	2,628.8	2,595.1
Licenses	1,362.3	1,494.3	1,482.4
Customer Lists	47.6	26.2	15.4
Marketable Equity Securities	225.4	4.9	0.0
Investments in Affiliated Entities	172.1	150.3	157.7
Long-Term Note Receivable	4.7	4.5	4.4
Goodwill	481.2	485.5	491.3
Other Long-Term Assets	30.0	31.1	31.8
Total Assets	**$ 5,416.2**	**$ 5,680.6**	**$ 5,611.9**
Liabilities & Owners' Equity			
Accounts Payable	254.1	254.9	260.8
Deferred Revenue & Deposits	111.4	123.3	143.4
Accrued Liabilities	42.9	47.8	59.2
Taxes Payable	36.7	26.9	43.1
Deferred Taxes	0.0	26.3	0.0
Note Payable	135.0	35.0	0.0
Forward Contract	0.0	159.9	0.0
Derivative Liability	0.0	88.8	0.0
Other Current Liabilities	82.6	93.7	97.7
Total Current Liabilities	**$ 662.7**	**$ 856.7**	**$ 604.2**
Long Term Debt	1,001.4	1,001.8	1,002.3
Forward Contracts	159.9	0.0	0.0
Derivative Liability	25.8	0.0	0.0
Deferred Tax Liability	647.1	601.5	554.4
Asset Retirement Obligation	90.2	127.6	126.8
Other Deferred Liabilities	46.2	62.9	84.5
Minority Interest	41.9	36.7	43.4
Common Stock & Paid-In Capital	1,375.0	1,378.9	1,404.1
Retained Earnings	1,366.0	1,614.4	1,792.1
Total Liabilities & Owners' Equity	**5,416.2**	**5,680.6**	**5,611.9**

Exhibit 6 Debt Repayment Schedule

Term Loan Amortization ($MM)

Date:	Payment 41	Annual Interest 5.50%	Principal	Balance 3,758	Amortization Period 120
1/31/2008	41	17	24	3,734	1
2/28/2008	41	17	24	3,710	2
3/31/2008	41	17	24	3,687	3
4/30/2008	41	17	24	3,663	4
5/31/2008	41	17	24	3,639	5
6/30/2008	41	17	24	3,615	6
7/31/2008	41	17	24	3,590	7
8/31/2008	41	16	24	3,566	8
9/30/2008	41	16	24	3,542	9
10/31/2008	41	16	25	3,517	10
11/30/2008	41	16	25	3,492	11
12/31/2008	**41**	**16**	**25**	**3,468**	**12**
1/31/2009	41	16	25	3,443	13
2/28/2009	41	16	25	3,418	14
3/31/2009	41	16	25	3,393	15
4/30/2009	41	16	25	3,367	16
5/31/2009	41	15	25	3,342	17
6/30/2009	41	15	25	3,317	18
7/31/2009	41	15	26	3,291	19
8/31/2009	41	15	26	3,265	20
9/30/2009	41	15	26	3,239	21
10/31/2009	41	15	26	3,214	22
11/30/2009	41	15	26	3,188	23
12/31/2009	**41**	**15**	**26**	**3,161**	**24**
1/31/2010	41	14	26	3,135	25
2/28/2010	41	14	26	3,109	26
3/31/2010	41	14	27	3,082	27
4/30/2010	41	14	27	3,055	28
5/31/2010	41	14	27	3,029	29
6/30/2010	41	14	27	3,002	30
7/31/2010	41	14	27	2,975	31
8/31/2010	41	14	27	2,948	32
9/30/2010	41	14	27	2,920	33
10/31/2010	41	13	27	2,893	34
11/30/2010	41	13	28	2,865	35
12/31/2010	**41**	**13**	**28**	**2,838**	**36**
1/31/2011	41	13	28	2,810	37
2/28/2011	41	13	28	2,782	38
3/31/2011	41	13	28	2,754	39
4/30/2011	41	13	28	2,726	40
5/31/2011	41	12	28	2,698	41
6/30/2011	41	12	28	2,669	42
7/31/2011	41	12	29	2,641	43
8/31/2011	41	12	29	2,612	44
9/30/2011	41	12	29	2,583	45
10/31/2011	41	12	29	2,554	46
11/30/2011	41	12	29	2,525	47
12/31/2011	41	12	29	2,496	48
1/31/2012	41	11	29	2,467	49
2/28/2012	41	11	29	2,437	50
3/31/2012	41	11	30	2,408	51
4/30/2012	41	11	30	2,378	52
5/31/2012	41	11	30	2,348	53
6/30/2012	41	11	30	2,318	54
7/31/2012	41	11	30	2,288	55
8/31/2012	41	10	30	2,257	56
9/30/2012	41	10	30	2,227	57
10/31/2012	41	10	31	2,196	58
11/30/2012	41	10	31	2,166	59
12/31/2012	2,176	10	2,166	0	60

Exhibit 7 Wireless Comparable Companies ($000's)

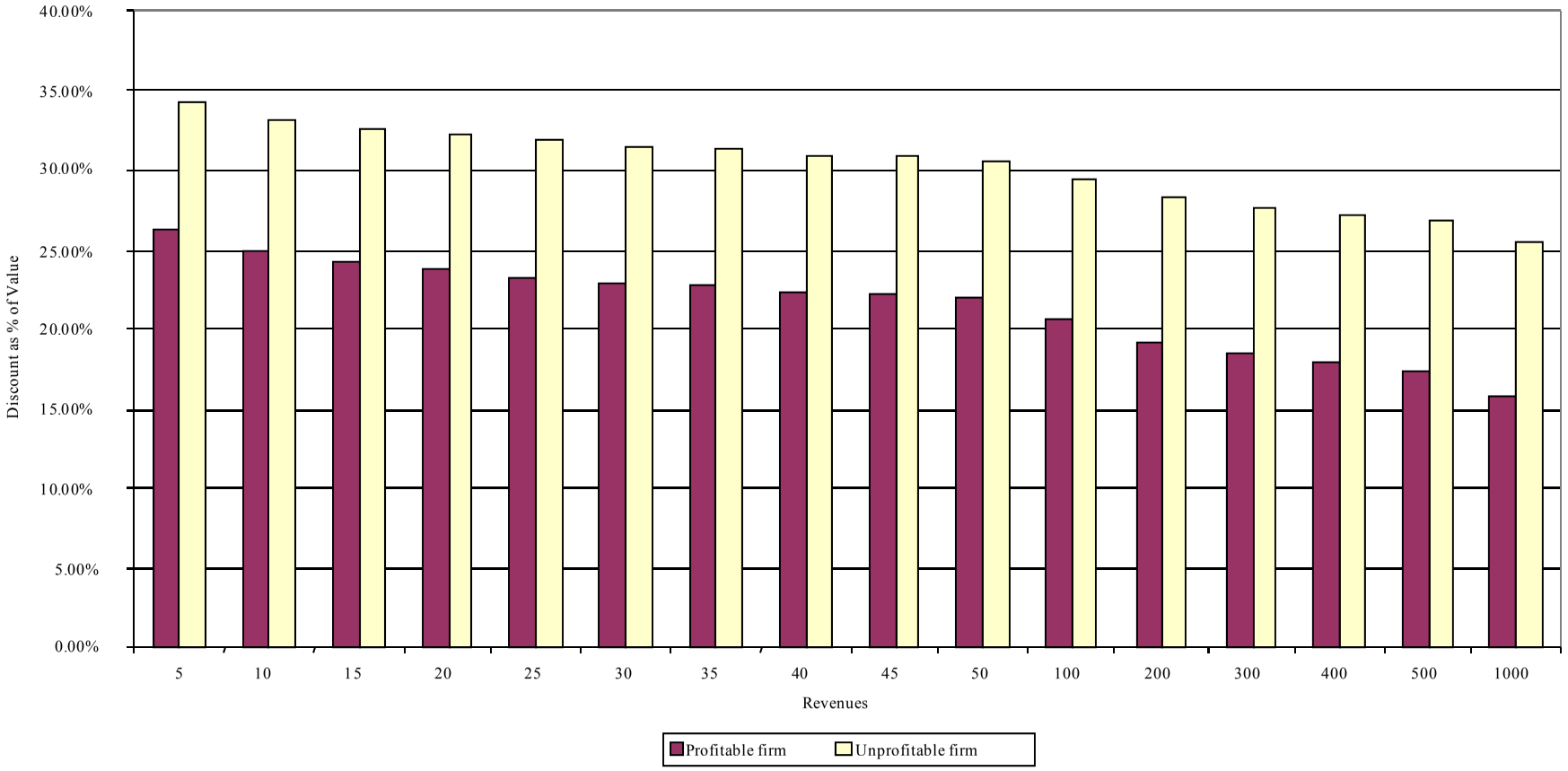
Comparable Companies:	Equity Market Value	Net Debt	Debt/ Value	Debt/ Equity	Equity Beta[1]	Revenue	EBIT	EBITDA	Net Income
Universal Mobile	118,497	69,130	36.8%	58.3%	0.86	43,882	11,795	16,949	3,794
Neuberger Wireless	189,470	79,351	29.5%	41.9%	0.89	42,684	7,020	14,099	4,103
Agile Connections	21,079	5,080	19.4%	24.1%	1.17	34,698	1,631	9,914	(30)
Big Country Communications	26,285	8,335	24.1%	31.7%	0.97	38,896	6,702	12,614	3,384
Rocky Mountain Wireless	7,360	3,268	30.7%	44.4%	1.13	4,064	510	1,028	240
Average			28.1%	40.1%	1.00				

1) Equity betas were based on weekly stock returns calculated over a three year period.

Note: the current industry and competitor leverage ratios are reflective of the historical averages that existed over the past three years.

Exhibit 8 Illiquidity Discounts

Illiquidity Discounts: Base Discount of 25% for profitable firm with $ 10 million in revenues



Source: Damodaran, Aswath, "Investment Valuation: Tools and Techniques for Determining the Value of Any Asset 2nd Edition," John Wiley & Sons (2002), p. 680.