Dear Ms. Dortch:

The Wireless Telecommunications Bureau directed a “General Information Request” to Worldcall, Inc. (“Worldcall”) in relation to the above-captioned transaction and application. We are providing Worldcall’s response under this cover letter.

Request for Confidential Treatment.

Some of the responsive information is confidential. As allowed by the Joint Protective Order we are designating a portion of the narrative and two documents as Confidential. The public filing has the Confidential information redacted.

The Confidential material contains confidential trade secrets, commercial information or other confidential information that is not routinely made available for public inspection. Specifically, the documents that have been redacted are two contracts between Worldcall and Mazer Telecom Advisors, the company Worldcall hired to assist in marketing and selling the license in issue. The narrative answers contain the names of certain entities in Puerto Rico with whom Worldcall attempted to negotiate for certain services prior to the decision to sell, and characterizations of the negotiations and results. As explained below, this material and information should be afforded confidential treatment under both 47 C.F.R. § 0.457(d) and § 0.459.

In accordance with Section 0.459(b) and in support of its request, Worldcall provides the following information:

(1) Identification of Confidential Materials: The Confidential information relates to potential and actual vendors and the terms of two contracts. The information in the narrative response is identified as Confidential when it appears within the submission, and the contracts have been marked as required by the Joint Protective Order to state “CONFIDENTIAL INFORMATION – SUBJECT TO JOINT PROTECTIVE ORDER IN WT DOCKET NO. 14-206 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION.”
(2) Identification of the Circumstances Giving Rise to the Submission: The information is being supplied as part of a response to the Wireless Telecommunications Bureau December 4, 2014 General Information Request directed to Worldcall.

(3) Degree to Which the Information is Commercial or Financial: The Confidential information is commercial. It relates contract terms for one vendor and characterizes certain negotiations that occurred with potential vendors. This is not the type of information that Worldcall would make publicly available in the ordinary course of business.

(4) Degree to Which the Information Concerns a Service Subject to Competition: The Confidential information is related to the provision of mobile wireless services. The mobile wireless industry is highly competitive.

(5) How Disclosure of the Information Could Result in Substantial Competitive Harm: Disclosure of the Confidential information could result in substantial competitive harm to Worldcall and the vendors. Competitors could use this commercially sensitive information, while preserving the confidentiality of their own comparable information, to seek to establish a competitive advantage.

(6) Measures Taken to Prevent Disclosure: Worldcall has previously kept this information non-public. The Confidential information has been redacted from the Public version of the Response.

(7) Public Availability and Third Party Disclosure: The designated information has not been made available to the public and has not been provided to third parties except pursuant to a confidentiality agreement.

(8) Justification of the Requested Duration of Non-Disclosure: The designated information should never be released for public inspection. It contains commercially sensitive information that Worldcall and the other vendors do not make publicly available in the ordinary course of business, and the disclosure of the information could adversely affect their competitive position.

(9) Additional Information: Consistent with the provisions of the protective order adopted by the Commission in this proceeding, Worldcall is filing a copy of the Response from which all Confidential information has been redacted and which may be made public. The Confidential version should be treated as confidential pursuant to the Commission’s rules and not subject to public inspection.

For the foregoing reasons, Worldcall requests that the designated information be treated as Confidential pursuant to the Commission’s rules and not subject to public inspection. A public version of the Response will be uploaded through the Commission’s Electronic Comment Filing System.

Thank you for your attention to this matter.
Sincerely,

Lowell Feldman  
Chief Executive Officer  
Worldcall, Inc.

Copies to:
Scott Patrick (Public and Confidential version via email; two hard copies of Confidential)  
Mobility Division  
Wireless Telecommunications Bureau  
Federal Communications Commission  
445 12th Street, S.W., Room 6313  
Washington, D.C. 20554  
scott.patrick@fcc.gov  
(202) 418-2853

Kate Matraves (Public version via email)  
catherine.matraves@fcc.gov

Jim Bird (Public version via email)  
TransactionTeam@fcc.gov
REQUEST:
1. Explain in detail the decision made by Worldcall to assign the Lower 700 MHz B Block spectrum that is the subject of this application to AT&T, including any attempts made to enter into a sale of this spectrum or alternative arrangements with parties other than AT&T.

ANSWER:

Worldcall conducted an analysis of what it would take to build-out and operate the licensed area as initially planned by Worldcall when it acquired the licenses in FCC Auction 73. Worldcall sought a partner or investor that could provide locally-based communications facilities such as towers and backhaul, tried to locate people with expertise to handle local mid-level management of the network deployment and looked for companies or personnel in the area for marketing and sales.

Worldcall initially tried to work with [BEGIN CONFIDENTIAL]Caribe.Net and Critical Hub networks[END CONFIDENTIAL]. In December of 2012, after months of communications, Worldcall received a preliminary proposal for collocation, and some transport necessary to begin deployment within the licensed areas. After the initial quotes were received, several follow-up phone conversations ensued including conversations about what potential tower locations could be supported using the [BEGIN CONFIDENTIAL]Critical Hub[END CONFIDENTIAL] infrastructure. During the Spring of 2013 Worldcall’s CEO went to Puerto Rico and spent quite some time arranging multiple meetings in the attempting to solidify the necessary business relationships and initiate the build-out.

During this period the CEO of Worldcall met with an operator of a former CLEC and the current operator of a neighboring ILEC and gained a fresh perspective of the potential regional issues related to constructing and operating a network. In particular, he determined that [BEGIN CONFIDENTIAL]Caribe.Net[END CONFIDENTIAL] could not be a viable partner for Worldcall. Worldcall’s CEO then spent several days investigating individual “municipalities”1 within the licensed area trying to identify potential cell tower rental sites, new tower locations, backhaul transmission sources, and potential business partners for marketing and sales.

After returning from the area in the Spring of 2013 and conferring with the other Worldcall stakeholders, the CEO determined in the late Spring of 2013 that the licenses owned by Worldcall in Puerto Rico would be difficult to deploy due to lack of a sustainable business plan. This was partially due to the local conditions, but these only compounded the difficulties that have plagued implementation efforts by other small, regional and rural 700 MHz B-Block licensees throughout the United States.

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1 Puerto Rico does not have “counties” like states; its local government is entirely organized around “municipalities” that contain one or more “barrios.” Despite the name a “municipality” will often encompass rural and high-cost areas.
Worldcall ultimately determined it was in its best interest to sell its Puerto Rico licenses based on the following factors:

1. The present scarcity of useable Band 17 devices that would allow full use of all capabilities desired by potential customers;¹
2. The difficulty small providers face obtaining reasonable nationwide rates and terms for automatic roaming and commercial mobile data service roaming;
3. As a result of (1) and (2) Worldcall would have significant difficulty building a customer base and establishing brand recognition. Puerto Rico local conditions magnify the problem, particularly if Worldcall could not team with established and accepted local entities who understand and have connections to the local culture and politics;
4. Capital markets presently require a relatively high level of both short and long term certainty before debt or equity investment in the mobile services market;
5. The increasing demands for additional equity and cash by the other Worldcall holdings and Worldcall’s affiliate Worldcall Interconnect, Inc. (WCX), which is building out its 700 MHz licensed area in Texas.

These factors, coupled with the Worldcall investors’ desire to trade spectrum for capital that could then be used for WCX, led to the decision to put these specific licenses up for sale.

In late April of 2013, Worldcall engaged Mazer Telecom Advisors to market and sell the Puerto Rico licenses. See Confidential Attachment 1. [BEGIN CONFIDENTIAL]Mazer contacted the three companies (in addition to AT&T) that they believed might be interested. Two indicated no interest and the third provided a low-ball offer. Worldcall and AT&T agreed on the sale/purchase of another license which is not the subject of this proceeding. [END CONFIDENTIAL]. Worldcall’s engagement with Mazer then expired.

In 2014 Worldcall once again made it known to several companies that it would be willing to sell all or part of, or partner with others for, its remaining un-built Puerto Rico licenses. None of these companies showed interest. AT&T did express an interest so Worldcall re-engaged Mazer in August and negotiated the current license sale which is subject to this request. See Confidential Attachment 2. Each time Worldcall engaged Mazer, it relied on Mazer’s expertise to solicit and obtain the best price in the marketplace.

Mazer widely marketed the licenses in 2013 and had follow-up conversations with three companies, but none of those demonstrated a serious interest. AT&T was interested, and in the late summer of 2014 Worldcall and AT&T negotiated a fair market price with reasonable terms and the transaction is now up for approval.

¹ The Commission should be well-aware of this problem given submissions by many other lower 700 MHz licensees in other proceedings. If more information is required Worldcall will supplement and further explain upon request.