

ANNUAL REPORT

Pursuant to Section 27.607 of the Commission's Rules, Pegasus Guard Band, LLC ("PGB"), licensee of 34 guard band licenses in the 700 MHz spectrum, hereby provides its annual report on the status and use of these guard band licenses. *See* 47 C.F.R. §27.607. Attached hereto as Attachment 1 is a listing of the call signs and market areas of the licenses held by PGB and covered by the instant report.

Formerly, the 700 MHz frequency band was reserved for use by UHF television channels 60 through 69 until the FCC reallocated 36 MHz of this spectrum for commercial use and 24 MHz for public safety use at the direction of Congress. Currently, much of the spectrum in which the 700 MHz guard band licenses held by PGB are located remains encumbered by the existing analog and digital broadcast television stations. By statute, the incumbent television broadcasters will continue to be the primary users in this portion of the spectrum until December 31, 2006, or until the particular market reaches the prescribed penetration levels indicating that the market has largely converted from analog to digital television.

PGB holds the A block licenses, consisting of a pair of 1 MHz guard band frequencies for a total of 2 MHz, in 32 Major Economic Areas ("MEA"), or about 55% of the United States. In addition, PGB holds two B block licenses, consisting of a pair of 2 MHz guard band frequencies for a total of 4 MHz. PGB intends to make these frequencies available to potential users for dispatch, telemetry, and other service uses. Since obtaining these guard band authorizations from the Commission, PGB has taken the necessary preliminary steps of identifying the incumbent analog and digital broadcasters currently operating within the licensed MEAs corresponding to each of PGB's licenses, and the signal contours of these each of these broadcast facilities. In addition, the same information has been gathered regarding broadcast stations operating on channels adjacent to PGB's licenses and from whom interference may be received. Based on PGB's engineering review, the spectrum in all of the 34 markets in which PGB holds guard band licenses is encumbered by existing users to varying degrees.

Since the last annual report, PGB has continued to develop processes for the deployment of 700 MHz systems while avoiding interference to existing full power television stations. Engineering design tools are in place to model the relationship of projected 700 MHz systems and existing broadcast stations. In addition, PGB is currently developing processes for the cooperative transition of low power stations, and is developing processes for new 700 MHz site deployments in areas currently occupied by translators and LPTV. The continued incumbency of existing television broadcasters and lack of date certain DTV transition remains the largest obstacle to the broad initiation of service on the guard band frequencies.

PGB is engaged in active discussions with a number of potential users and is in the process of negotiating agreements for services in several of PGB's licensed areas. This effort has consisted of the development of several business models depicting various services and applications. PGB hopes to initiate service in several regions shortly. Due to non-disclosure agreements and the preliminary nature of these applications, specific information regarding the

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700 MHz Guard Band Licenses
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specific users, applications and the MEAs involved cannot be publicly disclosed. If and when such agreements are finalized, and as PGB initiates service in its authorized regions, details of the operations will be included in subsequent annual reports, consistent with the Commission's Rules.

Ultimately, service in the 700 MHz guard band spectrum has been complicated by the FCC 800 MHz rebanding plan, which requires Nextel Communications, Inc. to forfeit its own 700 MHz guard band authorizations. In August 2004, the FCC released a Report and Order adopting an extensive plan for the reconfiguration of the 800 MHz band. Improving Public Safety Communications in the 800 MHz Band, Fifth Report and Order, 19 FCC Rcd 14969 (2004). Aimed at correcting ongoing interference issues between public safety and commercial users in the 800 MHz band, the FCC's Order seeks to reconfigure the spectrum allocations by placing generally incompatible technologies in separate band segments. Under this reconfiguration, many 800 MHz private land mobile (including public safety) and commercial mobile radio licensees will be relocated to another part of the 800 MHz band. This rule making, which was partially prompted by a proposal submitted by Nextel Communications, Inc., which holds a substantial number of 700 MHz guard band licenses, could potentially alter the development of the 700 MHz guard band spectrum, as well as affect the technology and equipment that is developed for use in the 700 MHz bands. As part of the reconfiguration, Nextel will surrender its 700 MHz guard band licenses to the FCC. The disposition of the forfeited spectrum to public safety use or re-auction may have an impact on the type and availability of equipment developed for use in the guard band spectrum. The uncertainty of the forfeited spectrum and equipment availability has delayed potential customers from committing to leases for the 700 MHz guard bands.

**CURRENT FCC LICENSES HELD BY
PEGASUS GUARD BAND, LLC**

Call Sign	Channel Block	Market	Market Name	Grant Date	Current Expiration Date
WPRR298	A	MEA001	Boston	12/21/2000	1/1/15
WPRR299	A	MEA002	New York City	12/21/2000	1/1/15
WPRR300	A	MEA004	Philadelphia	12/21/2000	1/1/15
WPRR301	A	MEA006	Richmond	12/21/2000	1/1/15
WPRR302	A	MEA009	Jacksonville	12/21/2000	1/1/15
WPRR303	A	MEA010	Tampa-St. Petersburg-Orlando	12/21/2000	1/1/15
WPRR304	A	MEA011	Miami	12/21/2000	1/1/15
WPSK920	A	MEA012	Pittsburgh	6/6/2001	1/1/15
WPRR305	A	MEA013	Cincinnati-Dayton	12/21/2000	1/1/15
WPRR306	A	MEA014	Columbus	12/21/2000	1/1/15
WPRR307	A	MEA015	Cleveland	12/21/2000	1/1/15
WPRR308	A	MEA016	Detroit	12/21/2000	1/1/15
WPRR309	A	MEA017	Milwaukee	12/21/2000	1/1/15
WPRR310	A	MEA018	Chicago	12/21/2000	1/1/15
WPRR311	A	MEA019	Indianapolis	12/21/2000	1/1/15
WPRR312	A	MEA022	Knoxville	12/21/2000	1/1/15
WPRR313	A	MEA023	Louisville-Lexington-Evansville	12/21/2000	1/1/15
WPRR314	A	MEA025	Nashville	12/21/2000	1/1/15
WPRR315	A	MEA028	Little Rock	12/21/2000	1/1/15
WPRR316	A	MEA034	Omaha	12/21/2000	1/1/15
WPRR317	A	MEA035	Wichita	12/21/2000	1/1/15
WPRR318	A	MEA036	Tulsa	12/21/2000	1/1/15
WPRR319	A	MEA040	Phoenix	12/21/2000	1/1/15
WPRR320	A	MEA041	Spokane-Billings	12/21/2000	1/1/15
WPRR321	A	MEA043	San Francisco-Oakland-San Jose	12/21/2000	1/1/15
WPRR322	A	MEA045	Portland	12/21/2000	1/1/15
WPRR323	A	MEA046	Seattle	12/21/2000	1/1/15
WPRR324	A	MEA047	Alaska	12/21/2000	1/1/15
WPRR325	A	MEA048	Hawaii	12/21/2000	1/1/15
WPRR326	A	MEA049	Guam and the Northern Mariana	12/21/2000	1/1/15
WPSK921	B	MEA049	Guam and the Northern Mariana	6/6/2001	1/1/15
WPRR327	A	MEA050	Puerto Rico	12/21/2000	1/1/15
WPRR328	A	MEA051	American Samoa	12/21/2000	1/1/15
WPSK922	B	MEA051	American Samoa	6/6/2001	1/1/15