

05-Jun-2018

# pdvWireless, Inc. (PDVW)

Q4 2018 Earnings Call

## CORPORATE PARTICIPANTS

**Natasha Vecchiarelli**

*Director-Corporate Communications, pdvWireless, Inc.*

**Brian D. McAuley**

*Executive Chairman, pdvWireless, Inc.*

**Morgan Edward O'Brien**

*Chief Executive Officer & Director, pdvWireless, Inc.*

**Robert Schwartz**

*President & Chief Operating Officer, pdvWireless, Inc.*

**Timothy Gray**

*Chief Financial Officer, pdvWireless, Inc.*

---

## MANAGEMENT DISCUSSION SECTION

**Operator:** Good afternoon, ladies and gentlemen, and welcome to the pdvWireless Fourth Quarter Update Conference Call. At this time, all participants have been placed on a listen-only mode, and we will open the floor for your questions and comments after the presentation.

It is now my pleasure to turn the floor over to your host, Natasha Vecchiarelli. Ma'am, the floor is yours.

---

**Natasha Vecchiarelli**

*Director-Corporate Communications, pdvWireless, Inc.*

Good afternoon, and thank you for joining us. With me today are Brian McAuley, our Chairman; Morgan O'Brien, our CEO; Rob Schwartz, President and COO; and Tim Gray, our CFO.

Before we begin, I'd like to highlight that during today's call, we will refer to certain non-GAAP financial measures. We've provided reconciliations to the most directly comparable GAAP financial measures in this afternoon's earnings release, which is available on our Investor Relations page.

As a reminder, the following discussion may contain forward-looking statements, and our actual results may differ materially from our current expectations or those implied. Information regarding factors that could cause such differences can be found in our public filings.

With that, I'd like to turn the call over to Brian McAuley, our Chairman.

---

**Brian D. McAuley**

*Executive Chairman, pdvWireless, Inc.*

Good afternoon. Today is my first opportunity to speak to our shareholders and investors about the leadership transition which the company announced in April. Before I turn the microphone over to Morgan, Rob, and Tim, I want to say a few words about the transition. First, on behalf of the board and management team, I would like to thank John Pescatore for his significant contributions to pdv. John was instrumental in transforming pdv from a private to a public company. Under his leadership, the company raised over \$300 million to fund its strategic initiatives, established its TeamConnect business in seven major markets, and advanced its FCC regulatory initiatives by forging relationships with partners in the critical infrastructure and enterprise space.

As you will hear a little later, pdv has decided to even more intensely focus on its broadband opportunities, both at the FCC and by developing use cases for our spectrum. Since Morgan is the leader of that intensified effort, passing the baton from John to Morgan is a natural progression for pdv. Morgan is the ideal candidate to assume the role of CEO as we build towards a broadband future. It has been a pleasure working with John at pdv over the past 14 years. John built a strong foundation for our future successes. We look forward to John's ongoing contributions to pdv as Vice Chairman of our board, Consultant and Shareholder. His talent, experience and judgment will continue to help guide the company and deliver value for our shareholders. On a personal note, I've worked with John for over 25 years, both at pdv and Nextel, and it's been one of my most rewarding personal, professional relationships.

As our business grows, change will be a constant. As Chairman, look forward to guiding our new team towards its exciting future.

Now, I'll turn it over to Morgan.

---

## Morgan Edward O'Brien

*Chief Executive Officer & Director, pdvWireless, Inc.*

Thank you, Brian. Hello, everyone, and welcome to the call this afternoon. Today, I have the pleasure of addressing this audience of our shareholders and investors for the first time as the CEO of pdvWireless. My remarks today focus on our regulatory initiatives, with Rob Schwartz providing an update on our strategic business achievements, and Tim Gray sharing our financial results.

I'm pleased to say first and foremost that our prospects have never looked better for becoming a unique and invaluable part of the wireless infrastructure in the United States. The hard work by a talented team executing a disciplined strategy had brought us to the verge of bringing to market a crucial piece of broadband spectrum for which the nation's critical infrastructure players have been clamoring.

My confidence is built on a long career of observing how decisions in a proceeding such as this filing a result with the FCC. The bedrock on which the FCC must support its spectrum allocation decisions and resolve the inevitable controversies attending them is a finding of the outcome which best serves the public interest. Two major but very different elements of the public interest shine through the record that has been compiled at the FCC. Each is persuasive, together they are compelling.

First, the performance of broadband technology, in particular LTE, has emerged as a global phenomenon and makes it the most powerful wireless technology ever available. LTE's unique combination, data speeds, technical flexibility, signal prioritization, security and economies of scale make it the compelling tool for modern connectivity.

While Congress and the FCC have taken extraordinary actions through FirstNet to make available dedicated broadband spectrum and a national LTE broadband network for first responders, the critical infrastructure industry has been largely ignored. Extensive record in these proceedings has served to emphasize that no dedicated spectrum suited for broadband has been made available for use by critical infrastructure even as the functional benefits of LTE technology have been extolled by industry players from all parts of the critical infrastructure world.

A second very different element of public interest adds further strong support to pdv's regulatory arguments. The electric utility industry, providing the lifeblood of our economy, historically is dependent on spectrum including spectrum in the 900-megahertz band that is reserved for private rather than commercial purposes. And nothing short of a revolution is now occurring in the electric utility industry. That revolutionary change has many causes,

but the effect is that huge industries that have been built on models of centralized, monopolized generation and distribution of electricity to consumers now are giving way to competition, including distributed generation and the proliferation of interactive network elements.

Most important of the factors driving these changes to the structure of the grid is a strong public demand for decarbonization, effected by relying increasingly in alternative sources of generation such as solar and wind, as well as battery storage. We've seen estimates that seven times more distributed power generation than centralized generation will be built in 2019 as the grid modernizes and utilities respond to structural needs of a more distributed architecture.

Wireless capability, particularly broadband wireless, is at the heart of solutions for keeping the grid functioning. No American who lived through the last season of hurricanes and their massive destruction is unaware of the grid's vulnerability and its need for resilience, reliability and security. All three of these attributes rely to a critical extent on the wireless connectivity that keeps the grid functioning, even as its architecture grows more distributed every day.

Can there be a more obvious case of the public interest than keeping the electric grid, a grid termed the very machinery of civilization, up and operating. As we watch in frustration, as Puerto Rico struggles for almost a year to return to some basic level of functionality, we recognize that the tools needed to keep a modern grid intact, including wireless connectivity to allow visibility and control, are missing. The modern utility must have that wireless visibility to remotely monitor, locate, isolate and restore power outages without labor-intensive intervention.

While two such strong public interest arguments are an essential condition, it takes more than that to win at the FCC. I'd like to give you a sense of the recent steps we've taken to move our process along.

On May 1, in our further comments filed at the FCC in conjunction with our longtime partner, the Enterprise Wireless Alliance, we outlined a revised set of proposals for getting to a Notice of Proposed Rulemaking.

The most important obligation of a proponent of changing the rules is to address the concerns voiced by opponents and, wherever possible, to make responsive changes to the original proposal. That obligation required a serious amount of work, but our May 1 pleading was a culmination for us of a careful balancing act. Nothing less than an expedited plan for allocating 6-megahertz of broadband spectrum for critical infrastructure was satisfactory to us, but the precise location of that swath within the 10-megahertz band was negotiable.

By crafting a plan for the railroads to swap exclusive channels with us and then moving the broadband allocation down by 400-kilohertz in the band, pdv was able to earn the support of Sensus, an historically vocal opponent and organizer of opposition.

Changes to the rules also were suggested that give private users, most likely critical infrastructure licensees, first-mover advantage and the award of broadband licenses. These and other proposed modifications to the plan should make it much easier for the FCC to adopt an NPRM.

In the last several weeks, we have again met with the FCC Chairman, his staff, other commissioners and staffers. In these FCC meetings, we were accompanied by senior utility representatives who helped us bring a message of the urgent need for dedicated broadband spectrum for the critical infrastructure industry.

Not every incumbent who shares the 900-megahertz spectrum with pdv has yet to be persuaded to changes in the band will deliver an industry-wide benefit. But we have been relentless in carrying our message. The elapsed time since we started this process has given us the chance to be thorough, and the results are more than satisfying.

Rob Schwartz, very recently elevated to the position of President and Chief Operating Officer, will give you more details about the strong pipeline of parties interested in acquiring broadband solutions from us.

Regulatory initiatives have always dominated our efforts for building shareholder value. But our investors know that our plan in 2014 was to run a parallel effort in the dispatch business. We're now approximately four years into that effort, and have learned a great deal about the changes which have taken place in the market since our earlier experiences with Nextel.

[indiscernible] (00:12:17) state-of-the-art technology provided by Motorola, we have built and marketed dispatch operations in seven major U.S. markets, but unit growth has been slower than initially expected. The proliferation of smartphone devices, particularly in the last four years, combined with the increasing sophistication of over-the-top applications on carrier LTE networks that replicate the push-to-talk functionality that we offer on our devices, suggest to us that the market no longer supports the cost structure of a stand-alone narrowband dispatch system.

Tim will have the financial details when he speaks in a few minutes, but I want to announce that today we have taken action to reduce our dispatch-related sales and marketing expenses with a corresponding reduction of force, totaling approximately 20% of our workforce. With the substantial progress we've made toward achieving a broadband future, our opportunity now is to accelerate our momentum and build on our strengths. The decisions we have made today have been difficult, but they give us the opportunity to further invest in the initiatives that fuel our growth, further establishing pdvWireless as the leader in solving the essential and valuable broadband network means of critical infrastructure entities.

I'll now turn it over to Rob for a detailed update of our strategic business achievements.

---

## Robert Schwartz

*President & Chief Operating Officer, pdvWireless, Inc.*

Thanks, Morgan, and thank you all for joining the call. I'd like to focus my time to summarize the key results in fiscal 2018 and to date, specifically through the lens of our focus in executed business strategy and to highlight how this well positions pdv to capture market interest and demand this coming year and into the future.

First, I'd like to point out a key nuance of our business strategy that may not be readily apparent. So, I'll take a minute to elaborate. As part of our continued assessment of the landscape of opportunities before us in putting our spectrum to the highest and best use, we identified an important link between the incumbents in our 900-megahertz spectrum band, primarily utilities, some of whom were in opposition, and the compelling business opportunity to enable private broadband networks for the same utility industry.

So, based on this understanding, over the course of the year, we built a lean and experienced team of employees and consultants to lead our commercial outreach to the industry. We first went on a listening tour to better understand the specifics of the needs, issues and use cases are these important but rather complex users. We then progressed to business development discussions, working intensively with utility industry's thought leaders and broadband pioneers, to design solution to serve their rapidly growing needs. We engaged in commercial discussions with utilities and leading vendors, participated in the industry's trade shows, and responded and learned from RFPs.

We came to see that the needs of these utilities boiled down to a few common themes, including the desire by large investor on utilities, or IOUs, to own and control their broadband networks as the offerings of commercial carrier networks can't fulfill these fundamental requirements. These utilities also require a solution that provides cost effective coverage and broadband capacity with reliability, resilience and security that can't be provided on their legacy narrowband utility networks.

The initial execution of the solutions-based approach to the utility market has yielded substantial gains in our top priorities, both in our regulatory success and in the development of our broadband business. On the regulatory side, utilities and other key players now have a vested interest in seeing our FCC process succeed and have become more vocal of why they want and need the 900-megahertz band to be modernized. And concurrently, we've created much broader industry awareness of our proposed solution. And equally important, we've built a robust pipeline of real commercial demand from utilities for the 900-megahertz broadband spectrum, including the pilots planned for this year. The continued commercial development will allow us to hit the ground running as we emerge from the regulatory process.

Taking a deeper look at our regulatory process as a direct result of our commercial progress to date, major utility vendor and industry participants have visited the FCC leadership and expressed urgent need for broadband spectrum in the 900-megahertz band, with visits to the commissioners, the chairman and the wireless bureau. And they've also pushed industry associations to be supportive, including sponsoring resolutions at the utility trade group, UTC. It's through this targeted commercial outreach and development with utilities that we've taken a formerly lengthy list of opposition that resisted change years ago, down to just a few remaining holdouts today.

I want to take a minute to highlight some of the representative examples of this specific demand by parties with strong commercial needs that's translated to support at the FCC. Ameren, an industry-leading electric utility covering 64,000 square miles of Illinois, Missouri, joined us to meet with the FCC and stated directly that there is an urgent need for broadband spectrum to solve essential use cases that are required to maintain their rate payers' quality of life.

Ameren also requested that the FCC move quickly to issue a broadband experimental license to allow them to pilot a first-of-its-kind secure 900-megahertz LTE broadband network in both Illinois and Missouri. With fast approval provided by the FCC, Ameren was granted a two-year experimental license and is currently preparing to launch their multi-state pilot program this calendar year, targeted with demonstrating secure, reliable communications to support their grid modernization needs.

Ameren currently manages numerous and disparate wireless narrowband networks; and an overall goal of this pilot is the long-term consolidation of these networks as well as the support of new additional use cases that can't be solved by existing systems.

It's also worth noting that separately with Ameren, we're providing spectrum to support a drone trial being led by Rockwell Collins to demonstrate the ability to serve a utility infrastructure for preventative and restorative maintenance. We look forward to working with Ameren on supporting these pilots, and we'll be sure to provide you with updates as progress is made.

Southern Company continues to lead the industry innovation for the use of private mission-critical LTE utility needs. In addition to currently deploying the leading-edge LTE network in their Alabama and Georgia regions, Southern has also stated their strong interest in seeing nationwide proliferation of broadband LTE networks at utilities to drive industry economies of scale, a robust ecosystem of utility applications, device and infrastructure

development, and to have interoperable systems so that utilities can work together seamlessly when they provide mutual aid in times of crisis like the unfortunate recent storms and hurricanes we saw this past season.

Southern is also providing industry support through their co-sponsorship of a supportive resolution at UTC, and we expect more great things as we continue to work with Southern's leadership on advancing 900-megahertz broadband to the industry.

Another specific example is Sensus, as mentioned by Morgan. Sensus was previously one of the large opponents as they provided advanced metering infrastructure, or AMI, to utilities to do automatic meter reading for over 14 million meters in the U.S. With the help of our further comments at the FCC addressing their concerns and our friends at Southern Company, Sensus' largest customer, we were able to reach an agreement with Sensus that led to a turnaround in their position, resulting in their recent filed support at the FCC. Several other Sensus users were previously opposed, and we are optimistic that the Sensus support will now bring them around as well.

We also have several strong examples of utilities with incumbent 900-megahertz narrowband systems that are supportively working with us to re-tune their systems in advance of any rulemaking. PSEG's LIPA serves over 1 million customers in the New York area, which happens to be one of the most congested radio environments in the country. As a large incumbent in the band, they support the changes, executed a spectrum exchange agreement with pdv and are already re-tuning preemptively without any issues. They've stated on the record that this re-tune process has caused little to no disruption and PSEG, as a result, has been a continued supporter in industry forums.

SMUD, a community-owned electric utility in Sacramento, California, serving 1.4 million people, has also worked in advance with pdv to re-tune their systems, and explained in their FCC comments that the realignment proposal is a reasonable approach and has quoted the realignment of a 900-megahertz spectrum has the potential to provide the broadband that SMUD and the electric utilities need.

Western Farmers Electric Cooperative is a generation and transmission co-op that provides electric services to the 21 member cooperatives, Altus Air Force Base and other important entities throughout Oklahoma, parts of New Mexico, Kansas and Texas. They filed support for the reconfiguration of the 900-megahertz band to provide broadband licensing stating that their long-term projections to 2023 determined that they would be requiring 5 megabits per second to each endpoint due in part to the increased cybersecurity requirements of the North American Energy Reliability Corporation or NERC, and that this is clearly beyond the capabilities of traditional narrowband and wideband solutions available today.

And as a sample of the vendor support, Ericsson, a global leader in broadband LTE systems, has filed strongly supportive comments and has been into the FCC to express the urgent need that they are seeing for this broadband spectrum from utility customers, and that their experts see no risk of interference to narrowband incumbents.

Lastly, industry leaders like Martin Marietta and General Dynamics have stated their strong support for the FCC proceeding, and that they see compelling need for private broadband networks in other complementary segments of users, including enterprise and government. For those interested in the details of these filings, they're available on the FCC's website.

Switching to pdv's second key priority, building robust broadband business opportunity, we are working both directly with utilities and leading global LTE infrastructure vendors, including Ericsson and Nokia, to address the pent-up needs of their customers for private broadband LTE solutions.

To paint the picture of the driving forces that are causing the increased market demand for private broadband networks utilities, I'll share with you some background. Since 2010, utilities alone have made a combined \$2.9 billion in investments and acquisitions in various forms of distributed energy resources, and it's expected that these expenditures will continue to grow.

To successfully meet the reliability and resiliency demands of the critical systems, private broadband networks built on licensed spectrum are being sought to secure the robust communications infrastructure needed for these advanced technologies. And in Navigant Research's recent white paper entitled *The Urgent Need for a Licensed Broadband Spectrum Allocation for Critical Infrastructure*, the point is made that the utility practice of managing dozens of unlicensed narrowband wireless networks is uneconomical and presents a multitude of risks to grid performance and operational security. An alternative strategy must be found.

So, as new mid- and high-band spectrum comes to market, like CBRS or millimeter wave spectrum, we see a natural complement to expand upon the foundation of 900-megahertz where any additional capacity may be desired, just as commercial carriers have done over time. pdv's 900-megahertz provides superior coverage and penetration characteristics of a sub 1-gigahertz spectrum band, with existing off-the-shelf LTE technology and devices that allows for a foundation of cost effective coverage for private wireless systems.

We believe higher spectrum bands like CBRS' shared 3.5-gigahertz can provide incremental local capacity on a licensed or unlicensed basis, where and if needed, and we look forward to potentially proving up this use case in future pilots.

Further to this point, we recently joined the Industrial Internet of Things Coalition in support of the industry's efforts to shape CBRS rules to their needs. As we continue to consciously deploy our limited capital on the heightened focus on the future broadband opportunities, as I just highlighted, we've come to a clear inflection point in our business. Since our management transition, we spent considerable time evaluating our existing initiatives to establish a clear set of priorities and an efficient organizational structure, with shareholder return at the forefront of these decisions.

Therefore, as Morgan mentioned and Tim will elaborate upon, we've concluded to minimize any future investment of our capital in the continuing sales of our dispatch business. This move resulted in immediate initial reduction of our overall head count by 20%, and will drive the management's focus to our compelling broadband future. Our determination to make this change is heavily supported by our increasing confidence in the prospects of our broadband business and our desire to shift our investment and focus to this area of targeted higher returns for our shareholders.

We continue to focus our investment dollars towards the best opportunities that have the most promising and positive impact on shareholder value. We intend to present a go-forward plan for the existing seven markets of TeamConnect business during our next Investor Update scheduled for August. In this coming year, we're focusing on achieving the key elements of success that will be the catalyst in realizing our strategic plan. These include effectively managing our resources, both money and people, to drive the continued growth of commercial opportunities, turning our spectrum into customer solutions, feeding into the advancement of our FCC agenda.

Our goal with these commercial offerings will be long-term relationships, with high valuable – highly valuable, high-credit customers that translates into substantial value for our shareholders. To think that less than four years ago, when we embarked on this journey to build a private broadband network, most industry participants did not know what this meant, and here we are today and what was once a concept is now a reality, with the broader



industry attesting to the growing need for such networks. The confluence of current events with utilities at the epicenter led by grid modernization and distributed generation in virtually every state, as well as the risks of cyber security is driving the demand for private broadband networks. This demand is met with the supply of robust off-the-shelf private LTE solutions from leading global vendors that are now being designed to be scaled and tailored to the needs of the regional utility footprints.

As always, we look forward to communicating our progress with all of you throughout the year.

With that, I'll turn it over to Tim.

---

## Timothy Gray

*Chief Financial Officer, pdvWireless, Inc.*

Thanks, Rob. Good afternoon, everyone.

As you just heard, we made significant progress during fiscal 2018 and during the first quarter of fiscal 2019 in advancing our regulatory initiatives and in evaluating and identifying compelling broadband business opportunities. Having achieved the critical milestones that Morgan and Rob discussed, we feel that we are well-positioned to accomplish our primary objective of building stockholder value by modernizing and realigning the 900-megahertz band to increase its usability and capacity.

During fiscal 2018, we continued to evaluate and test sales and marketing strategies to improve the performance of our TeamConnect and pdvConnect businesses. To date, we have spent over three years actively pursuing the dispatch business. It has become clear that despite our efforts, the market opportunities for our dispatch business are limited. The increase and improvement in carrier-based dispatch type applications, particularly in the past four years, suggest to us that the market opportunities are limited for stand-alone narrowband dispatch systems.

The future of the 900-megahertz band remains broadband, which was and continues to be the driving reason for FCC broadband initiatives. We, together with our Board of Directors, have determined that it is in the best interest of the company and its stockholders to shift our focus and resources to finalizing our regulatory initiatives and preparing for the future deployment of broadband and other advanced technologies and services.

Today, we announced the initial phase of our restructuring plan aimed at reducing the future operating costs of our TeamConnect and pdvConnect businesses. As part of that restructuring plan, we eliminated approximately 20 positions or 20% of our workforce, primarily from our TeamConnect and pdvConnect businesses.

The announced reductions in our workforce will result in significant cost savings for our business, providing us with additional capital that we have preserved for our future. With the savings of close to \$1.6 million annually, we will continue to shift our resources and attention to our broadband future.

The reductions in staff announced today include a meaningful reduction in our dispatch sales and marketing functions. And as a result, new dispatch sales will be extremely limited going forward. Management has commenced a comprehensive review and assessment of our existing TeamConnect business. We will share additional information on our August Investor Update call.

Looking at our fourth quarter results, in fiscal 2018, our cash position decreased by \$25.8 million. As of March 31, 2018, the company had \$98.3 million in available cash. Our goal for fiscal year 2019 is to have lower cash spend in fiscal 2018 before considering any restructuring-related spend or spectrum acquisitions.

The company received notice in May 2018 that a pdvConnect customer of a Tier 1 carrier partner will be discontinuing their service with us over the course of fiscal 2019. That customer represented 50% of our service revenue in fiscal 2018. We view this as a further indicator that the most logical course of action was for us to scale back our spend and resources in this area.

For the fourth fiscal quarter ended March 31, 2018, the company reported net loss of \$8.8 million or negative \$0.61 per share, versus a net loss of \$14 million or negative \$0.97 per share for the same quarter in the previous year. Last year's fourth quarter included \$6.5 million in income tax expense or \$0.45 per share to increase the deferred tax liability to 100% of our deferred tax assets.

Adjusted EBITDA for the fourth quarter was negative \$6.2 million, compared with negative \$5.8 million for the same period in the prior year. The decrease in adjusted EBITDA over our previous year is due to higher selling costs due to increased staffing and higher G&A costs to support our regulatory initiatives, offsetting the higher revenue.

Please note that our first quarter of fiscal 2019 will include restructuring-related expenses of approximately \$5.1 million, and we expect that we will have additional restructuring-related expenses during the fiscal year.

I'll conclude by saying that although we are disappointed that the dispatch business failed to support our expectations, we have our eyes set in the next phase of our business. We expect to achieve more major milestones throughout this next year. As CFO, one of my key goals for fiscal 2019 is to reduce our cash burn, even while increasing investments in our future broadband business opportunities.

That ends our prepared remarks. Thank you for joining us. The operator will now accept questions.

## QUESTION AND ANSWER SECTION

**Operator:** Certainly. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Your first question is coming from [ph] Mike Weisenberg (00:33:00). Sir, your line is live.

Q

Thank you very much. With the timeline on the regulatory process, do you anticipate any additional entrants into the Notice of Inquiry?

**Robert Schwartz**

*President & Chief Operating Officer, pdvWireless, Inc.*

A

Yeah. Hi. I think it's Mark. This is Rob Schwartz. As you know, we've had really a continuous rolling process, I think as Morgan talked about, of comments coming in since the issuance of the NOI. And we would expect that we'd continue to see additional comments through the continuing process.

Q

And when would that process potentially end? Do you have any indication of that?

Morgan Edward O'Brien

*Chief Executive Officer & Director, pdvWireless, Inc.*

A

Yeah. This is Morgan. A lot depends on how the FCC decides to take its next step. Optimum for us would be they go right to Notice of Proposed Rulemaking. Once they do that, they typically have a reply comment cycle which can be anywhere from a month to two months. And after that then, typically, they would be ready to go into a Report and Order. Of course, anything can happen in this process, so you never know.

Maybe part of your question was do we anticipate any new players coming in opposition or support? We do expect a bunch of new supporters. Opposition typically comes up early in these processes and then thereafter there's a process of knocking that opposition down, and that's where we are. I think, on this process, we feel pretty good about where that stands.

Q

Thank you for clearing up. That was where I was going with that. In terms of any investments for the regulatory process, is there anything that's significant that we should be looking out for or you don't foresee anything coming out of the blue that you haven't already prepared for?

Robert Schwartz

*President & Chief Operating Officer, pdvWireless, Inc.*

A

I think I'll start maybe and Tim can fill in, if he'd like. But we assume there our investment will be continuing as you've seen in the past. We've got a very strong group of employees and consultants that are driving the process forward, and we're confident with the resources we have, that that's going to drive the process to where we need to be.

Timothy Gray

*Chief Financial Officer, pdvWireless, Inc.*

A

Yeah. And we are working on potential pilots with utilities and the costs of those may vary, but we don't have anything to put out publicly on that right now.

Morgan Edward O'Brien

*Chief Executive Officer & Director, pdvWireless, Inc.*

A

Let me make another point. For those who look carefully at our May filing where we attempted to revise the proposal to meet the outstanding objections, there's quite a different process suggested there. We, of course, don't know whether the FCC will accept that, but if they do, the process of who gets the broadband license and therefore who has the responsibility to pay to clear the spectrum, which is going to be the largest follow-on costs, will be determined as that process unfolds, so we don't know. It could turn out that we're not the party in some of these cases who undertakes the obligation to clear the spectrum. That could be the critical infrastructure player that wants to step forward to broadband. So, it depends very much on how this next phase unfolds, so sort of stay tuned.

Q

Excellent. Thank you very much. That's all. That's all I have.

**Operator:** [Operator Instructions] There are no questions in queue at this time.

---

## Morgan Edward O'Brien

*Chief Executive Officer & Director, pdvWireless, Inc.*

Okay. Well, thanks, everybody, for your time, and we look forward to continue our dialogue with our investors and look forward to our next investor call. Thank you very much.

---

**Operator:** Thank you, ladies and gentlemen. This does conclude today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.

### Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2018 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.