

As filed with the Securities and Exchange Commission on November 15, 1993

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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AMENDMENT NO. 1

**TO
 FORM S-1**

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PACTEL CORPORATION

(Exact name of registrant as specified in its charter)

California
 (State or other jurisdiction of
 incorporation or organization)

4812
 (Primary Standard Industrial
 Classification Code Number)

94-2995122
 (I.R.S. Employer
 Identification No.)

2999 Oak Road
 Walnut Creek, CA 94596
 (510) 210-3900

(Address, including zip code, and telephone number, including
 area code, of registrant's principal executive office)

Paul H. White, Esq.
 General Counsel
 PacTel Corporation
 2999 Oak Road
 Walnut Creek, CA 94596
 (510) 210-3900

(Name, address, including zip code, and telephone number,
 including area code, of agent for service)

Copies to:

Nathaniel M. Cartmell III, Esq.
 James M. Canty, Esq.
 Blair W. White, Esq.
 Austin D. Kim, Esq.
 Pillsbury Madison & Sutro
 P.O. Box 7880
 San Francisco, CA 94120

Duane G. Henry, Esq.
 Elizabeth K. Roemer, Esq.
 Kristina Veeco, Esq.
 Pacific Telesis Group
 130 Kearny Street
 San Francisco, CA 94108

Peter H. Darrow, Esq.
 David E. Webb, Esq.
 Susan A. Freiwald, Esq.
 Elizabeth L. Blair, Esq.
 Cleary, Gottlieb, Steen & Hamilton
 One Liberty Plaza
 New York, NY 10006

Approximate date of commencement of proposed sale to the public:

As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box.

CALCULATION OF REGISTRATION FEE

Titles of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price(2)	Amount of registration fee
Common Stock, \$.01 par value, including associated Series A Preferred Stock Purchase Rights:				
Previously registered	57,500,000	\$23.00	\$1,322,500,000	\$377,343.75 ⁽³⁾
Registered pursuant to this amendment	11,000,000	23.00	253,000,000	87,241.38
Total	68,500,000	\$23.00	\$1,575,500,000	\$464,585.13

(1) Includes 8,500,000 shares that the Underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purposes of computing the amount of the registration fee.

(3) Previously calculated and paid.

The Company hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

Copied - Cover Page, pp. 1-2, 3-4, 11-12, 66-70, 79-86, 87 plus Selected Exhibits

Prospectus

60,000,000 Shares

**PacTel Corporation
Common Stock**

PacTel Corporation (the "Company") is offering 60,000,000 shares of Common Stock, par value \$.01 per share (the "Common Stock"), in concurrent offerings (collectively, the "Offerings") in the United States and Canada by the U.S. Underwriters (the "U.S. Offering"), in Europe by the European Managers (the "European Offering") and in Asia by the Asian Managers (the "Asian Offering"). Of the 60,000,000 shares offered hereby, 42,000,000 shares are offered initially in the U.S. Offering, 13,500,000 shares are offered initially in the European Offering and 4,500,000 shares are offered initially in the Asian Offering, subject to transfers among the U.S. Underwriters, the European Managers and the Asian Managers (collectively, the "Underwriters"). Before the Offerings, there has been no public market for the Common Stock. It is currently anticipated that the initial public offering price will be between \$21.00 and \$23.00 per share. See "Underwriting—Determination of the Offering Price" for a discussion of the factors considered in determining the initial public offering price.

Prior to the Offerings, Pacific Telesis Group ("Telesis") will own, directly or indirectly, 100% of the outstanding shares of Common Stock of the Company. Telesis has announced that, subject to final approval by its Board of Directors, Telesis intends to distribute to its shareowners all of the Common Stock of the Company owned by Telesis (the "Spin-off"). Telesis currently anticipates that such distribution will occur within six months after the closing of the Offerings. See "Investment Considerations—Relationship Between the Company and Telesis." After completion of the Offerings and prior to the planned Spin-off, Telesis will own approximately 88% of the total number of outstanding shares of Common Stock of the Company (approximately 86% if the over-allotment options referred to below are exercised in full).

Up to 3,000,000 shares are being reserved for sale to officers, directors, prospective directors and employees of the Company, Telesis and certain of Telesis' subsidiaries and partnerships at the initial public offering price.

The Common Stock has been approved for listing on the New York Stock Exchange upon notice of issuance under the symbol PTW.

See "Investment Considerations" for certain information that should be considered by prospective purchasers of the Common Stock offered hereby.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discount	Proceeds to Company(1)
Per Share	\$	\$	\$
Total(2)	\$	\$	\$

(1) Before deducting expenses payable by the Company estimated to be \$4,620,000.
 (2) The Company has granted to the Underwriters 30-day options to purchase up to an aggregate of 8,500,000 additional shares of Common Stock at the Price to Public less the Underwriting Discount to cover over-allotments, if any. If such options are exercised in full, the total Price to Public, Underwriting Discount, and Proceeds to Company will be \$, \$ and \$, respectively. See "Underwriting."

Joint Global Coordinators

Lehman Brothers

Salomon Brothers Inc

The shares of Common Stock are offered subject to receipt and acceptance by the Underwriters, to prior sale, and to their right to reject any order in whole or in part and to withdraw, cancel or modify the offer without notice. It is expected that delivery of the shares will be made in New York, New York, or through the facilities of The Depository Trust Company, on or about , 1993.

**Salomon Brothers Inc
Goldman, Sachs & Co.
CS First Boston**

**Lehman Brothers
Merrill Lynch & Co.**

**Donaldson, Lufkin & Jenrette
Securities Corporation**

Morgan Stanley & Co.
Incorporated

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Common Stock offered hereby. This Prospectus does not contain all of the information included in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and the Common Stock, reference is hereby made to the Registration Statement, including the exhibits and schedules thereto. Statements contained in this Prospectus concerning the provisions or contents of any contract, agreement or any other document referred to herein are not necessarily complete. With respect to each such contract, agreement or document filed as an exhibit to the Registration Statement, reference is made to such exhibit for a more complete description of the matters involved, and each such statement shall be deemed qualified in its entirety by such reference to the copy of the applicable document filed with the Commission. The Registration Statement, including the exhibits and schedules thereto, may be inspected without charge at the principal office of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies of such material or any part thereof may be obtained from such office upon payment of the fees prescribed by the Commission.

The Company intends to furnish its shareholders with annual reports containing financial statements audited by independent public accountants and quarterly reports for the first three quarters of each fiscal year containing unaudited financial information.

As used in this Prospectus, the term "POPs" means the population of a licensed cellular market based on population estimates for such market, multiplied by the Company's ownership interest in the cellular licensee operating in such market as of the date specified. "POPs" for international cellular markets include networks under construction.

PacTel, Pacific Telesis International, PacTel Cellular, PacTel Paging, Page Line News, KidTrack, PacLink and Teletrac are trademarks, service marks or registered marks of the Company. This Prospectus also includes trademarks, service marks or registered marks of other companies.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and related notes appearing elsewhere in this Prospectus. Unless otherwise indicated, the information contained in this Prospectus assumes that the Underwriters' over-allotment options are not exercised.

The Company

PacTel Corporation is one of the world's leading wireless telecommunications companies, with significant cellular interests in the United States, Germany and Japan. The Company's worldwide cellular interests represented 75.1 million POPs and more than 1.0 million proportionate subscribers at September 30, 1993. In the United States, the Company has 34.7 million POPs and controls or shares control over cellular systems in ten of the thirty largest markets, including Los Angeles, San Francisco, San Diego, Detroit and Atlanta. Internationally, the Company has 40.4 million POPs and holds significant ownership interests, with board representation and substantial operating influence, in national cellular systems operating in Germany, Portugal and Sweden and in cellular systems under construction in three major metropolitan areas in Japan, including Tokyo and Osaka. The Company is also the fourth largest provider of paging services in the United States, with approximately 1.1 million units in service at September 30, 1993.

The Company has acquired interests in attractive wireless systems through license applications, acquisitions and strategic partnerships. In the United States, the Company has formed six regional cellular networks, in Southern California, the San Francisco Bay Area, the Sacramento Valley, Michigan/Ohio, Georgia and Kansas/Missouri. Internationally, the Company and its local and multinational partners have won five national or regional cellular licenses: in 1990, the second national digital cellular license in Germany; in 1991, the second national digital cellular license in Portugal; and in 1992, one of four digital cellular licenses for each of the Tokyo, Kansai and Tokai regions of Japan. In addition, in October 1993, the Company acquired a majority interest in one of the three national digital cellular licenses in Sweden. During the five-year period ended September 30, 1993, the Company more than doubled its total number of POPs worldwide and increased its proportionate number of cellular subscribers at a compound annual rate of 44%.

The Company's objective is to be the premier provider of wireless telecommunications services in the world's most attractive markets based upon total population and demographic characteristics. To meet its objective, the Company focuses on establishing a presence in such markets, delivering a broad range of wireless products and services and expanding into additional telecommunications businesses. In the United States, the Company's strategy is to build upon its existing regional networks through license applications, acquisitions and strategic partnerships, as well as marketing alliances with other cellular service providers, to enhance its customers' access to a national wireless network. Internationally, the Company currently is negotiating to acquire an interest in a digital cellular system in Belgium, is planning to compete for new wireless licenses in the Netherlands, South Korea, Spain, Italy, France and in additional regions in Japan, and also is considering wireless opportunities in other parts of the world. The Company believes that its proven technical, marketing and operating expertise will continue to provide the Company and its consortia with a competitive advantage in their efforts to obtain wireless licenses.

The Company is a wholly owned subsidiary of Pacific Telesis Group ("Telesis"). Telesis has announced that, subject to final approval by its Board of Directors, Telesis intends to distribute to its shareowners all of the Common Stock of the Company owned by Telesis (the "Spin-off"). Telesis currently anticipates that the Spin-off will occur within six months after the closing of the Offerings. See "Investment Considerations—Relationship Between the Company and Telesis." After the completion of the Offerings and prior to the Spin-off, Telesis will own approximately 88% of the outstanding shares of Common Stock of the Company.

The Offerings

Shares Offered.....	60,000,000 shares of Common Stock.
U.S. Offering.....	42,000,000 shares of Common Stock.
European Offering.....	13,500,000 shares of Common Stock.
Asian Offering.....	4,500,000 shares of Common Stock.
Shares Outstanding After the Offerings ⁽¹⁾	484,000,000 shares of Common Stock.
Limitation on Purchases in the Offerings.....	In accordance with a decision of the California Public Utilities Commission dated November 2, 1993 permitting Telesis to proceed with the Spin-off, no "person, corporation or group" may purchase shares in the Offerings if, after giving effect to (I) the purchase of such shares and (II) the deemed distribution by Telesis of the Company's Common Stock in the Spin-off, it would "control" more than 2.24% of the Common Stock outstanding after the Offerings. A purchaser in the Offerings will, by virtue of such purchase, be confirming that it is not in violation of the foregoing restriction. This restriction does not apply to purchases subsequent to the Offerings.
Use of Proceeds.....	To fund capital expenditures for the Company's existing wireless systems, auction fees, construction and start-up costs in connection with any successful international or domestic license applications (including personal communications services licenses), possible acquisitions of other wireless interests, including possible additional purchases of equity in Cellular Communications, Inc., and for general corporate purposes. See "Use of Proceeds."
Dividend Policy.....	The Company does not expect to pay cash dividends in the foreseeable future. See "Dividend Policy."
Proposed NYSE Symbol.....	PTW

(1) Does not include 122,980 shares of Common Stock held by a wholly owned subsidiary of the Company. Also does not include 24,000,000 shares of Common Stock reserved for issuance pursuant to the Company's 1993 Long-Term Stock Incentive Plan and 2,400,000 shares of Common Stock reserved for issuance under an employee stock purchase plan to be established by the Company effective at the time of the planned Spin-off. No options, warrants or other rights to purchase Common Stock are outstanding. See "Management—Stock Ownership" and "—1993 Long-Term Stock Incentive Plan" for a description of the method by which outstanding but unexercised options to purchase common stock of Telesis and long-term incentive plan awards held by directors, officers and other employees of the Company will be converted into stock options and restricted stock awards relating to the Company's Common Stock.

Paging

The Company had approximately 1.1 million paging units in service at September 30, 1993 in 100 markets throughout the United States, including Atlanta, Dallas/Fort Worth, Detroit, Houston, Los Angeles, Phoenix, St. Louis, San Diego, the San Francisco Bay Area, Seattle and Tampa/St. Petersburg. The Company's strategy is to expand into new markets through start-ups or acquisitions and to increase its share in existing markets by providing superior customer service. The Company became one of the first paging companies in the United States to offer paging service through retail outlets, and the success of the Company's retail marketing efforts has contributed significantly to the growth of its paging business. The Company's paging units in service in the United States increased approximately 30% during the nine months ended September 30, 1993 and increased at a compound annual rate of 28% during the three-year period ended December 31, 1992. The Company also owns significant interests in paging companies in Portugal, Spain and Thailand, in September 1993 a joint venture in which the Company has an 18.5% interest was awarded one of three national digital paging licenses in France.

Other Operations

The Company owns a majority interest in a provider of vehicle location services in six markets in the United States. In addition, the Company provides conventional mobile telephone service in seven domestic markets and air-to-ground telephone service in four domestic cities. The Company also owns interests in a long distance telephone company in Japan and a credit card verification business in South Korea.

Background of the Planned Spin-off

The Company is a wholly owned subsidiary of Pacific Telesis Group ("Telesis"). In December 1992, Telesis announced that its Board of Directors had approved a plan to separate its wireless telecommunications operations from its other businesses (principally Pacific Bell and Nevada Bell, its local telephone companies), through a distribution to its shareowners of all of the Common Stock of the Company (the "Spin-off"). In August 1993, Telesis received a ruling from the Internal Revenue Service to the effect that the Spin-off will qualify as a tax-free distribution to the shareowners of Telesis under Section 355 of the Internal Revenue Code. The Company also has obtained all federal and state regulatory approvals necessary to effect the Spin-off. The Company believes that the planned Spin-off will enhance its competitive position in the rapidly developing wireless telecommunications industry by removing certain regulatory, legal and financial constraints to which the Company is currently subject as a subsidiary of Telesis and affiliate of the local telephone companies. For example, the Company believes that following the Spin-off it will no longer be subject to the 1982 consent decree known as the Modification of Final Judgment ("MFJ"). See "Regulation—MFJ." Freedom from the MFJ would allow the Company to provide long-distance, voice and data services that cross specified geographic boundaries and to engage in the design, development and manufacturing of telecommunications equipment. In addition, the wireless telecommunications business is highly capital intensive, requiring substantial investments to construct new wireless systems and acquire interests in existing systems. The Company believes that the Spin-off will improve its ability to raise equity capital by attracting investors who seek to invest in a business focused on wireless telecommunications.

It is currently expected that the Spin-off will occur within six months after the closing of the Offerings. Telesis intends to complete the Spin-off in time to ensure that it is able to pursue attractive opportunities in the PCS license application process. In addition, as part of the California Public Utilities Commission decision permitting Telesis to proceed with the Spin-off, Telesis is expected to follow such a course of action with respect to PCS opportunities in California. Under the regulations of the Federal Communications Commission (the "FCC"), prior to the Spin-off Telesis' eligibility for PCS licenses will be limited in markets in which the Company provides cellular service. The FCC is required to start auctioning PCS licenses by May 1994, although there has been no determination as to matters such

as when auction applications will be due, the order in which PCS licenses will be auctioned or whether Telesis will be required to have completed the Spin-off prior to the submission of an application for a PCS license for a market in which the Company provides cellular service. Depending on the resolution of the PCS auction process, Telesis could be required to complete the Spin-off as early as the beginning of March 1994 in order to meet its objectives. Telesis plans to explore waivers and other reasonable means that would permit it to apply for a PCS license prior to the Spin-off. See "Business—Regulation—CPUC Spin-off Investigation."

Consummation of the Spin-off is subject to the final approval of the Telesis Board of Directors. See "Investment Considerations—Relationship Between the Company and Telesis."

The Company was incorporated on November 19, 1984 under the laws of the State of California. The Company's executive offices are located at 2999 Oak Road, Walnut Creek, California 94596 and its telephone number is (510) 210-3900. Unless the context otherwise requires, references to the "Company" herein include PacTel Corporation and entities over which it has or shares operational control.

MANAGEMENT

Directors and Executive Officers

Set forth below is certain information concerning the persons who serve or are expected to serve as directors and executive officers of the Company. The executive officers serve at the pleasure of the Board of Directors and are subject to removal at any time. At the time of the Offerings, Sam Ginn, Chairman of the Board, President and Chief Executive Officer of Telesis and Lydell L. Christensen, Executive Vice President and Chief Financial Officer of Telesis, will become Chief Executive Officer and Executive Vice President and Chief Financial Officer, respectively, of the Company. C. Lee Cox, who is currently President and Chief Executive Officer of the Company, will resign as Chief Executive Officer and will become Chief Operating Officer of the Company at such time. At the time of the Spin-off, Messrs. Ginn and Christensen will resign their positions at Telesis. Mohan S. Gyani and Arun Sarin, who are also officers of both Telesis and the Company, will resign their positions at Telesis at the time of the Spin-off.

Directors are elected by shareholders at each annual meeting or, in the case of a vacancy or increase in the number of directors, by the directors then in office, to serve until the next annual meeting of shareholders and until their successors are elected and qualified. The size of the Board of Directors will increase on or prior to the Spin-off such that, at the time of the Spin-off, it will have nine members, divided into three classes. See "Description of Capital Stock—Articles of Incorporation and By-Law Provisions—Classification of the Board of Directors."

<u>Name</u>	<u>Age</u>	<u>Position and Offices Held</u>
Sam Ginn	56	Chairman of the Board and Chief Executive Officer
C. Lee Cox	52	President and Chief Operating Officer and Prospective Director
Lydell L. Christensen	58	Executive Vice President and Chief Financial Officer
Tony F. DiStefano	37	Vice President, Mergers and Acquisitions
F. Craig Farrill	41	Vice President, Technology, Planning and Development
Margaret G. Gill	53	Vice President, Legal, External Affairs and Secretary
Mohan S. Gyani	42	Vice President and Treasurer
Arun Sarin	39	Vice President, Strategy
George F. Schmitt	50	Vice President, German Cellular Project
Paul H. White	49	General Counsel
Charlie E. Jackson	59	President and Chief Executive Officer of PacTel Paging
John R. Lister	55	President and Co-Chief Executive Officer of PacTel Teletrac
Jan K. Neels	55	President and Chief Executive Officer of Pacific Telesis International
James R. Harvey	59	Director
Paul Hazen	51	Director
Donald G. Fisher	65	Prospective Director
Arthur Rock	67	Prospective Director
Charles R. Schwab	56	Prospective Director
George P. Shultz	72	Prospective Director

Mr. Ginn has been Chairman of the Board, President and Chief Executive Officer of Telesis since 1988. He served as President and Chief Operating Officer of Telesis from 1987 through 1988 and as Vice Chairman of the Board from 1983 through 1987. Previously, Mr. Ginn served as a director and as President and Chief Operating Officer of the Company from 1984, when the Company was formed, to 1987. He has been Chairman of Pacific Bell since 1988 and was Vice Chairman from 1987 through 1988. Mr. Ginn has been a director of Telesis since 1983 and is also a director of Chevron Corporation, Safeway Inc. and Transamerica Corporation. Mr. Ginn will resign from the Board of Directors of Telesis at the time of the Spin-off.

Mr. Cox has been the President and Chief Executive Officer of the Company since 1987. Mr. Cox was a director of the Company from 1987 to 1993 and is expected to become a director either prior to or upon the Spin-off. Mr. Cox has been a director and a Group President of Telesis since 1988. Mr. Cox began his career with Pacific Bell in 1984 and, prior to joining the Company in 1987, held various senior management positions at Pacific Bell. Mr. Cox will resign as a Group President and from the Board of Directors of Telesis at the time of the Spin-off.

Mr. Christensen was named Executive Vice President, Chief Financial Officer and Treasurer of Telesis in 1992. In March 1993, Mohan S. Gyani, who reports to Mr. Christensen, was named Treasurer of Telesis. From 1987 to 1992, Mr. Christensen was Vice President and Treasurer of Telesis. He was a director of the Company from 1992 to 1993.

Mr. DiStefano has been Vice President, Mergers and Acquisitions of the Company since November 1992. Previously, he was President of PacTel Cable, a former subsidiary of the Company, beginning in 1990. He began his career with the Company in 1986 as Executive Director of Corporate Development.

Mr. Farrill has been Vice President, Technology, Planning and Development for the Company since 1990. Beginning in 1987, Mr. Farrill was a Vice President of PacTel Cellular responsible for the engineering, design and management of domestic cellular operations.

Mrs. Gill has agreed to serve as Vice President, Legal, External Affairs and Secretary of the Company beginning in January 1994. She has been a partner in the law firm of Pillsbury Madison & Sutro since 1973 and is the head of the firm's Corporate and Securities Group.

Mr. Gyani became Vice President and Treasurer of the Company in November 1993. At such time, he was also named acting Chief Financial Officer, which position he will hold until the time of the Offerings. He has been a Vice President and the Treasurer of Telesis since March 1993. In 1992 he was named Vice President and Controller at Pacific Bell. Previously Mr. Gyani held various positions at Telesis and Pacific Bell. He began his career with Pacific Bell in 1978.

Mr. Sarin became a joint officer of Telesis and the Company in March 1993 when he was named Vice President, Organization Design at Telesis and Vice President, Strategy at the Company. In 1992, he became Vice President and General Manager, Bay Operations for Pacific Bell. In 1990, he became Vice President, Chief Financial Officer and Controller of Pacific Bell. He joined Pacific Bell in 1989 and shortly thereafter was named Vice President, Corporate Strategy for Telesis. In 1987, Mr. Sarin was named Vice President and Chief Financial Officer of PacTel Personal Communications ("PerCom"), the former holding company for PacTel Cellular and PacTel Paging.

Mr. Schmitt has been Vice President of the Company and a member of the Board of Management of MMO since 1990. From 1987 to 1990, Mr. Schmitt was Vice President for State Regulatory Affairs for Pacific Bell. Mr. Schmitt began his career with Pacific Bell in 1985 and became a Vice President in 1985.

Mr. White has been General Counsel for the Company since 1987. Mr. White was Assistant General Counsel for Telesis from 1985 to 1987 and prior to that was an attorney for Pacific Bell. Mr. White began his career with Pacific Bell in 1977.

Mr. Jackson has been President and Chief Executive Officer of PacTel Paging since 1986. He was named to such position after Telesis acquired Communication Industries, Inc. ("CI"). Prior to the acquisition, Mr. Jackson was President and General Manager of Gencom Incorporated, a subsidiary of CI.

Mr. Lister has been President and Co-Chief Executive Officer of PacTel Teletrac since April 1992. He has also been a Vice President of the Company since 1992. In November 1990, Mr. Lister joined PacTel Teletrac as President and Chief Operating Officer. Since 1988, Mr. Lister had been a Vice President at PacTel Cellular. Mr. Lister joined PerCom in 1987 as Vice President of Corporate Development.

Mr. Neels has been President and Chief Executive Officer of Pacific Telesis International since 1987. Mr. Neels joined Pacific Telesis International in 1986 as a Vice President, overseeing the business operations and marketing activities of subsidiaries in Spain, Japan, Korea and Thailand.

Mr. Harvey became a director of the Company in April 1993. He is a member of the Compensation and Personnel, Nominating and Audit Committees. Mr. Harvey has been a director of Telesis since 1983. He has been Chairman of the Board of Transamerica Corporation since 1983 and was Chief Executive Officer of Transamerica from 1981 through 1991. He is also a director of Charles Schwab Corporation, McKesson Corporation, Sedgwick Group plc, The National Park Foundation and The Nature Conservancy. Mr. Harvey will resign from the Board of Directors of Telesis at the time of the Spin-off.

Mr. Hazen became a director of the Company in April 1993. He is a member of the Compensation and Personnel, Nominating and Audit Committees. Mr. Hazen has been a director of Telesis since 1989. He has been President and Chief Operating Officer of Wells Fargo & Company and its principal subsidiary, Wells Fargo Bank, N.A., since 1984. He is a director of Wells Fargo & Company and its subsidiary, Wells Fargo Bank, N.A., Phelps Dodge Corporation and Safeway Inc. Mr. Hazen will resign from the Board of Directors of Telesis at the time of the Spin-off.

Mr. Fisher is expected to become a director of the Company either prior to or upon the Spin-off. He is the founder, Chairman of the Board and Chief Executive Officer of The Gap, Inc. Mr. Fisher is a director of Ross Stores, Inc., The Charles Schwab Corporation, San Francisco Bay Area Council and the National Retail Federation.

Mr. Rock is expected to become a director of the Company either prior to or upon the Spin-off. He has been a Principal in Arthur Rock & Co., a venture capital firm, since 1969. He is a director of Intel Corporation, Argonaut Group, Inc. and Teledyne, Inc. Mr. Rock is married to Toni Rembe, who is a director of Telesis. Ms. Rembe beneficially owns 1,542 shares of Telesis stock and holds options to purchase an additional 3,000 shares of Telesis stock.

Mr. Schwab is expected to become a director of the Company either prior to or upon the Spin-off. He is the founder, Chairman of the Board and Chief Executive Officer of The Charles Schwab Corporation and Chairman of Charles Schwab & Co. Inc. Mr. Schwab is a director of The Gap, Inc. and Transamerica Corporation.

Mr. Shultz is expected to become a director of the Company either prior to or upon the Spin-off. He has been a Professor at Stanford University's Graduate School of Business since 1974. He served as U.S. Secretary of State from 1982 to 1989. Mr. Shultz is a Distinguished Fellow at the Hoover Institution, a member of the Board of the Bechtel Group, Chairman of J.P. Morgan's International Council and Chairman of the Governor's California Economic Policy Advisory Council.

Director Compensation and Related Transactions

Currently, all directors who are not employed by the Company or Telesis are also directors of Telesis. As directors of Telesis, they receive an annual retainer of \$20,000 and fees of \$1,200 for each board meeting attended, \$800 for participating in board teleconferences, \$800 for each committee meeting attended and \$400 for participating in committee teleconferences. The chairs of the Audit, Compensation and Personnel, and Finance Committees of the Telesis board each receive an additional annual retainer of \$5,000. Other nonemployee directors who chair Telesis board committees receive additional annual retainers of \$4,000. Until the Spin-off, Company directors will continue to participate in benefits provided to Telesis directors.

Nonemployee directors of the Company who are also nonemployee directors of Telesis do not receive additional annual retainers from the Company, but they do receive fees for meetings of the Company's Board of Directors and its committees in the amounts applicable to Telesis directors. Directors who are also employees of Telesis or the Company receive no additional remuneration for serving as directors or as members of committees of the Board. Directors are entitled to reimbursement for out-of-pocket expenses in connection with attendance at Board and committee meetings. Telesis directors may elect to defer the receipt of all or part of their fees and retainers. These deferred amounts earn interest, compounded annually, at a rate determined by the Telesis board of directors. Amounts deferred in 1993 will earn 11% in 1993. Telesis directors are also reimbursed for certain telecommunications services and equipment. Employee directors of Telesis receive similar reimbursements for services and equipment as part of their compensation as officers. Telesis also provides travel accident insurance covering nonemployee directors on Telesis business.

Nonemployee directors of Telesis who have served for at least three years receive pensions for life equal to a percentage of the annual retainer in effect at the time of retirement. This percentage is equal to 15% multiplied by the director's years of service (not to exceed 100%). The pensions commence when the director attains age 65 or becomes disabled, but in no event before his or her service as a director ends.

Telesis nonemployee directors receive certain option and stock grants under plans maintained by Telesis. Nonemployee directors of the Company will receive annual stock option grants under the Company's 1993 Long-Term Stock Incentive Plan. See "—1993 Long-Term Stock Incentive Plan—Nonemployee Directors." Other than as provided in such plan, the Company has not yet adopted specific policies on directors' compensation and benefits following the Spin-off.

The Company has adopted an equity purchase plan for nonemployee directors and prospective directors under which unsecured loans of up to \$100,000 will be available to enable such directors to purchase shares of the Company's Common Stock. The loan term will be five years with an option to extend for an additional five years. Final maturity is ten years or 30 days following the borrower's resignation from the board. The interest rate for such loans would be the greater of the mid-term, adjusted Applicable Federal Rate, as published by the Internal Revenue Service (currently 5.0%) or the Company's cost of funds, currently equivalent to the five-year Treasury rate plus 85 basis points (currently 5.7%), but no more than permitted under the California usury laws (10%). The interest rate will be established at the time the loan is made and will be reset if the loan is renewed for an additional five years. Interest will compound annually and be paid at the end of each five-year term.

Mr. White's wife is a principal of Price Waterhouse, which provides auditing, consulting, and tax return preparation services to the Company and certain of its subsidiaries. From January 1992 to September 30, 1993, the Company and such subsidiaries paid that firm fees of approximately \$1.1 million. Charles Schwab & Co. Inc., of which Mr. Schwab is Chairman, has subleased office space from Telesis since April 6, 1992 under a lease that expires on December 17, 1999. The minimum rent payable over the entire term of the lease is approximately \$5.6 million.

Stock Ownership

The following table sets forth the number of shares of common stock of Telesis beneficially owned on September 30, 1993, by each of the Company's directors, the executive officers named in the Summary Compensation Table and all directors and executive officers of the Company as a group, and their options to purchase shares of common stock of Telesis exercisable as of September 30, 1993. The total number of shares of common stock of Telesis beneficially owned by the group is less than 1% of the class outstanding.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (September 30, 1993)	Presently Exercisable Options (September 30, 1993)	Total
L. L. Christensen	1,449	23,750	25,199
C. L. Cox	6,598	93,000	99,598
F. C. Farrill	800	15,257	15,857
S. Ginn	9,883(1)(2)	166,600	176,483
J. R. Harvey	2,467(1)	3,000	5,467
P. Hazen	1,750	3,000	4,750
J. K. Neels	1,482	19,047	20,529
G. F. Schmitt	689	20,800	21,489
P. H. White	2,207(3)	28,574	30,781
All directors and executive officers as a group (14 persons) ..	37,204	440,630	478,034

- (1) Includes the following shares of Telesis common stock in which the beneficial owner shares voting and investment power: Mr. Ginn, 1,860 shares; and Mr. Harvey, 2,467 shares.
- (2) Includes one share beneficially owned by a dependent child, for which beneficial ownership is disclaimed.
- (3) Includes 410 shares beneficially owned by a dependent child, for which beneficial ownership is disclaimed.

While no shares of Common Stock or options to purchase Common Stock of the Company have been issued to the directors, officers or other employees of the Company, it is expected that, at the time of the Spin-off, such officers, directors and employees will receive shares of Common Stock in proportion to the shares of the common stock of Telesis they own and that unexercised options to purchase common stock of Telesis ("Telesis Options") held by directors, officers and employees of the Company will be replaced by options to purchase Common Stock of the Company ("Company Options"). Company Options will be granted under the Company's 1993 Long-Term Stock Incentive Plan.

To determine the number and exercise price of Company Options to be granted to replace the Telesis Options, an exchange ratio will be computed by dividing the market price of the Company's Common Stock before the Spin-off by the market price of Telesis common stock before the Spin-off. The number of shares subject to each Telesis Option will be divided by that ratio, and the original exercise price per share under such Telesis Option will be multiplied by that ratio. The aggregate spread between the option exercise price and the market value of the underlying stock will not change as a result of the substitution of a Company Option for a Telesis Option, and the terms of the option (other than the exercise price) will remain the same in all material respects. As an example, based upon an assumed average price for Telesis common stock of \$54 per share for the last 10 consecutive trading days before the ex-dividend date and an assumed average price for the Common Stock of the Company of \$22 per share for the same period, and assuming that all options held on September 30, 1993, remain outstanding, the following individuals and groups would hold the following number of presently exercisable Company Options: Mr. Christensen, 58,295 shares; Mr. Cox, 228,273 shares; Mr. Farrill, 37,449 shares; Mr. Ginn, 408,927 shares; Mr. Harvey, 7,364 shares; Mr. Hazen, 7,364 shares; Mr. Neels, 46,752 shares; Mr. Schmitt, 51,055 shares; Mr. White, 70,136 shares; all directors and officers as a group, 1,082,037 shares; and all other employees as a group, 2,161,220 shares. Additional options to purchase Common Stock may be granted to directors, officers and other key employees of the Company in the future under the Company's plan. See "—1993 Long-Term Stock Incentive Plan."

under the employment agreements are subject to the limitation that if the auditors of Telesis determine that any portion of the payments to be made is nondeductible by Telesis because of section 280G of the Internal Revenue Code, payments will be reduced to the extent of the nondeductible amount.

In connection with the Spin-off, it is expected that such agreements will be replaced by new agreements between the Company and its executive officers, the terms and conditions of which would be determined prior to the Spin-off by the Company's Board of Directors upon the recommendation of its C&P Committee.

It is expected that the Company, prior to the Spin-off, will establish a grantor trust from which all or part of the benefits under its nonqualified pension plans may be paid. It is also expected that such trust, in connection with the Spin-off, will receive certain assets from Telesis or from a grantor trust maintained by Telesis, reflecting the assumption by the Company of the liability for certain nonqualified pension benefits that its employees accrued under the plans of Telesis prior to the Spin-off. Such grantor trust established by the Company may provide that the Company's Board of Directors or a committee thereof may issue instructions to the trustee concerning the payment of benefits in the event of a change in control or that upon a change in control the Company will contribute sufficient assets to the trust to fully fund benefit payments.

TRANSACTIONS BETWEEN THE COMPANY AND TELESIS

The Company currently has, and after the Offerings will continue to have, a variety of contractual and other relationships with Telesis and its affiliates and has entered or will enter into other arrangements to facilitate the Spin-off. A description of these existing and contemplated arrangements follows.

Past Transactions with Telesis and Its Affiliates

The Company and Telesis maintain a number of financial and administrative arrangements and regularly engage in transactions with each other and their affiliates. The CPUC and the FCC have established rules and regulations requiring that the Company and its affiliates be fully separated from Pacific Bell and Nevada Bell. In addition, transactions between the Company and such entities are governed by extensive rules, regulations and reporting requirements established by the CPUC. The following summarizes transactions between the Company and Telesis or subsidiaries of Telesis since January 1, 1990.

In the past, the Company has met its funding requirements primarily through borrowings from PTCR and equity contributions from Telesis. During the nine months ended September 30, 1993 and the twelve-month periods ended December 31, 1992, 1991 and 1990, the largest aggregate month-end amount of indebtedness outstanding to PTCR was \$718.0 million, \$958.4 million, \$597.9 million and \$246.6 million, respectively. During the third quarter of 1993, Telesis substantially settled the Company's tax benefits receivable arising from tax losses utilized in Telesis' consolidated tax returns. This settlement was used to eliminate the Company's indebtedness to PTCR at September 30, 1993. PTCR has charged the Company interest on such borrowings at rates which averaged 5.9% during the nine months ended September 30, 1993, 5.7% in 1992, 8.1% in 1991 and 8.8% in 1990. Telesis' equity contributions to the Company have primarily been used to repay the Company's loans from PTCR. Equity contributions to the Company by Telesis were \$1,046.9 million in the nine months ended September 30, 1993 and in 1992, 1991 and 1990 such contributions totaled \$212.2 million, \$71.4 million and \$73.5 million, respectively. Telesis intends to provide equity contributions to the Company in an amount which will eliminate the Company's indebtedness to PTCR at the closing date of the Offerings. Between October 1, 1993 and the assumed closing date of the Offerings, such equity contributions, after the settlement of all account balances between the Company and Telesis, are estimated to be \$154 million.

The Company also pays dividends to Telesis. Dividends paid by the Company to Telesis in the nine months ended September 30, 1993 and the twelve-month periods ended December 31, 1992, 1991 and 1990 totaled \$75.5 million, \$108.3 million, \$125.3 million, and \$92.9 million, respectively.

In addition, Telesis has historically provided administrative services, and Pacific Bell and Nevada Bell have provided interconnection with their wireline telephone systems and other services, to the Company. In the nine months ended September 30, 1993 and the twelve-month periods ended December 31, 1992, 1991 and 1990, amounts paid by the Company to Telesis for accounting, tax, legal and other such services were \$10.6 million, \$13.3 million, \$11.9 million and \$12.3 million, respectively. Amounts paid by the Company to Pacific Bell and Nevada Bell for interconnection and other expenses during such periods were \$22.9 million, \$29.0 million, \$29.3 million and \$28.5 million, respectively.

The Company paid insurance premiums in 1992, 1991 and 1990 of \$1.9 million, \$1.2 million and \$266,000, respectively, to PacTel Reinsurance, a reinsurance subsidiary of Telesis. In addition, in 1992 and 1991, the Company recognized expenses of \$2.2 million and \$1.2 million, respectively, in connection with work done by Telesis Technologies Laboratory, a research and development subsidiary of Telesis.

Telesis has issued various forms of financial support on behalf of the Company. Some of these forms of financial support will be renegotiated before the Offerings, and the remainder prior to the planned Spin-off. No assurance can be given that similar terms can be obtained.

Future Relationship with Telesis and its Affiliates

In anticipation of the separation of the ownership of the Company from Telesis, the Company and Telesis have reviewed the contractual and other arrangements that are necessary and appropriate for the Company and Telesis to operate effectively after the Spin-off.

Pre-Spin-off Funding.

Telesis has advised the Company that it may offer to purchase shares of Common Stock from the Company during the period between the Offerings and the Spin-off at market prices if the Company requires additional funding to effect currently unanticipated opportunities arising during such period. Any shares of Common Stock so purchased by Telesis would be included in the Spin-off.

Separation Agreement.

Telesis and the Company have entered into an agreement relating to various aspects of their operations (the "Separation Agreement") that will govern the relationship between the Company and Telesis and its subsidiaries other than the Company (collectively, the "Telesis Companies") after the Offerings. The following summary of certain aspects of the Separation Agreement is qualified in its entirety by reference to the Separation Agreement, which is an exhibit to the Registration Statement.

Corporate Opportunities. Under the Separation Agreement, Telesis and the Company have agreed to allocate corporate business opportunities between (i) the Telesis Companies on the one hand and (ii) the Company on the other hand. This agreement, by its terms, will terminate at the time of the Spin-off. The agreement provides that Telesis will have the right to determine, in its sole discretion, what future business opportunities the Telesis Companies will pursue, in addition to or to the exclusion of the Company, even if such determination excludes the Company from currently existing or future opportunities that could be considered logical, natural or beneficial extensions of the Company's business. Notwithstanding the foregoing, the agreement further provides that (i) the Company will have the right to pursue, to the exclusion of the Telesis Companies, all domestic and international business opportunities which, in whole or substantial part, are: (a) cellular (as defined in

47 C.F.R. § 22.900 et seq.), (b) paging or (c) radiolocation opportunities; and (ii) in the unlikely event that to any extent the FCC in its final regulations does not permit separate applications for PCS licenses (as defined in FCC GEN Docket No. 90-314) by both the Telesis Companies and the Company, whether by denial of waivers or otherwise, the Company will have the right to such extent to pursue, to the exclusion of the Telesis Companies, all PCS opportunities outside California and Nevada, and the Telesis Companies will have the right to such extent to pursue, to the exclusion of the Company, all PCS opportunities inside California and Nevada. If the FCC does not permit such separate applications and if the territory intended to be served under a prospective PCS license includes portions of California or Nevada as well as territories outside California and Nevada, the Telesis Companies will have the right to pursue such opportunity to the exclusion of the Company. (Such right is subject to an obligation on the part of the Telesis Companies to use their reasonable best efforts to assign (at the expense of the Company) all such opportunities outside California and Nevada to the Company, and if the Board of Directors of Telesis determines that the Telesis Companies would for any reason be unable to accomplish this assignment, the Board of Directors of Telesis will decide, in its sole discretion, whether such opportunity should be pursued exclusively by the Telesis Companies or exclusively by the Company.)

The agreement also provides that each party must use its best efforts to decide whether to pursue a business opportunity as soon as reasonably possible after first learning of the opportunity. If a party decides not to pursue a business opportunity that it has the right to pursue to the exclusion of the other party, it must promptly inform the other party of such decision. The other party would then be free to pursue such opportunity.

The Company's Amended and Restated Articles of Incorporation provide that the Company may not bring any claim against the Telesis Companies or the Company, or any officer, director or other affiliate thereof, for breach of any duty, including, but not limited to, the duty of loyalty or fair dealing, on account of a diversion of a corporate business opportunity to the Telesis Companies unless such opportunity relates solely to a business that the Company has the right to elect to pursue, to the exclusion of the Telesis Companies, pursuant to the agreement described above. Notwithstanding the foregoing, no such claim may be made in any event if the Company's directors who are not employees of any of the Telesis Companies disclaim the opportunity by a unanimous vote.

Employee Benefits. Another component of the Separation Agreement provides for (1) the exchange of participation, service and compensation records of employees who transfer between Telesis and the Company; (2) the filing of annual reports and compliance with other legal requirements applicable to the parties' employee benefit plans; (3) the transfer of pension assets and liabilities from Telesis to the Company and vice versa for employees who transfer between the two; (4) the allocation of assets and liabilities under various nonqualified pension and deferred-compensation plans maintained by Telesis for the benefit of employees and non-employee directors; (5) the disposition of outstanding stock options, stock appreciation rights and long term incentive awards; (6) the allocation of assets and liabilities pertaining to post-retirement life insurance and health care benefits; (7) the allocation of liabilities for accrued vacation, paid leave and certain other benefits; and (8) mutual indemnification by Telesis and the Company for certain matters.

Tax Sharing. The Separation Agreement also governs the manner in which Telesis and the Company will allocate their respective shares of federal and state income taxes and make payments between them and to taxing authorities in accordance with such tax allocations.

The Company will continue to join in filing consolidated federal income tax returns with Telesis for all taxable years in which the parties are required or permitted to file a consolidated return. In each taxable year for which the parties file a consolidated return, Telesis will pay the tax to the taxing authority, and the Company will pay Telesis the Company's share of the consolidated tax liability based

upon the Company's separate taxable income. If the Company would have reported a net operating loss for any such year, Telesis will pay to the Company an amount equal to Telesis' reduction in tax liability attributable to the Company's net operating loss. The party with more than 50% of the liability exposure or refund claim for an issue will, to the extent possible, control any audit, appeals and refund procedures for that issue.

In addition, the Separation Agreement provides that tax liabilities from the Spin-off and certain related transactions will be allocated to the Company if such liabilities result from any event occurring in the 24-month period commencing on the date of the Spin-off and involving either the stock or assets of the Company. The Company has not taken, and does not anticipate taking, any actions that it believes would result in the allocation to the Company of any material liabilities pursuant to this provision.

Intellectual Property. The Separation Agreement addresses Telesis' and the Company's respective rights and obligations after the Spin-off with respect to pre-Spin-off intellectual property, including proprietary information, copyrights and copyrightable works, patents and patentable inventions, and trademarks and trade names as well as the use of proprietary information by employees of Telesis and the Company, including employees transferred in connection with the Spin-off. Telesis will convey or license certain intellectual property to the Company effective as of the Spin-off. Among other things, the Company is required to terminate its use of the Telesis symbol mark and the names "Pacific Telesis International" and "PacTel," including the "PacTel Cellular" and "PacTel Paging" brand names. The Company will have a non-exclusive license to use the PacTel name until the Company adopts a new name or until the second anniversary of the Spin-off, whichever is earlier.

Contingent Liabilities. The Separation Agreement allocates financial responsibility for liabilities which are not recorded on the books of the Company or the Telesis Companies prior to the Spin-off and which are attributable to (1) a pre-Spin-off event, (2) a condition that existed prior to the Spin-off, or (3) a post-Spin-off event attributable to the separation of the Company and the Telesis Companies. In general, financial responsibility for liabilities associated with the business of the Company is placed with the Company and liabilities associated with the business of the Telesis Companies is placed with Telesis. The agreement allocates responsibility for the defense of litigation and other proceedings. The Separation Agreement also contains mutual releases from certain liabilities arising from events occurring on or before the Spin-off, including transactions and activities involved in implementing the Spin-off.

Telesis Technologies Laboratory. The Separation Agreement provides that, no later than the Spin-off, Telesis will transfer to the Company certain assets that have been engaged in the wireless communications research and development work of Telesis Technologies Laboratory ("TTL"), which will remain a subsidiary of Telesis after the Spin-off. The experimental PCS licenses currently held by TTL will remain with TTL. Telesis and the Company will agree on the manner in which any uncompleted work of TTL will be completed after the Spin-off. Existing agreements governing the ownership of, and other rights in, the intellectual property work product of TTL produced prior to the Spin-off will remain in effect and will also apply to any current TTL work jointly completed by Telesis and the Company after the Spin-off. Such existing agreements provide that TTL owns all such TTL intellectual property and that the Company has a royalty-free, nonexclusive, perpetual license to use it.

Other Matters. The Separation Agreement also governs, among other things, (1) the provision by Telesis of certain administrative services, such as tax, accounting and legal services, prior to the Spin-off and, if mutually agreed, for up to 90 days thereafter and the compensation to be paid by the Company for such services, (2) the transfer of certain additional assets and liabilities from Telesis to the Company at net book value, (3) the termination of certain specified agreements between the

Company and Telesis upon the Spin-off and (4) the separation of the Company from the existing Telesis property and casualty insurance program, the allocation of insurance-related liabilities of Telesis and the Company and other insurance issues.

PRINCIPAL SHAREHOLDER

Telesis owns, directly or indirectly, all 424,122,960 outstanding shares of Common Stock of the Company. A wholly owned subsidiary of the Company holds 122,960 shares of the Company's outstanding Common Stock. Following the Offerings, Telesis will own, until the planned Spin-off, approximately 88% of the total number of outstanding shares of Common Stock (approximately 86% if the Underwriters' over-allotment options are exercised in full).

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 1,100,000,000 shares of Common Stock, \$.01 par value ("Common Stock"), and 50,000,000 shares of Preferred Stock, \$.01 par value ("Preferred Stock"). The following summary descriptions of the capital stock and the provisions of the articles and bylaws of the Company is qualified in its entirety by reference to the Articles of Incorporation and By-laws of the Company, copies of which have been filed as exhibits to the Registration Statement.

Common Stock

It is expected that 484,122,960 shares of Common Stock will be issued and outstanding after giving effect to the Offerings. Holders of Common Stock are entitled to one vote for each share held on all matters submitted to a vote of shareholders and, except as described below, a majority vote is required for all actions taken by shareholders. Holders of Common Stock do not have cumulative voting rights in the election of directors and have no preemptive, subscription, redemption, sinking fund or conversion rights. All outstanding shares of Common Stock are, and those offered in the Offerings will be, validly issued, fully paid and nonassessable. Subject to preferences that may be applicable to holders of any outstanding shares of Preferred Stock, holders of Common Stock are entitled to such dividends as may be declared by the Board of Directors out of funds legally available therefor. Upon liquidation, dissolution or winding-up of the Company, the assets legally available for distribution to shareholders are distributable ratably among the holders of Common Stock at that time outstanding, subject to prior distribution rights of creditors of the Company and to the preferential rights of any outstanding shares of Preferred Stock.

Preferred Stock

Of the 50,000,000 authorized shares of Preferred Stock, 6,000,000 shares have been designated Series A Participating Preferred Stock ("Series A Preferred Stock"). There are no outstanding shares of Series A Preferred Stock.

Holders of Series A Preferred Stock are entitled to receive quarterly dividends, payable in cash each March, June, September and December, equal to the greater of (i) \$2.50 per share or (ii) 100 times the aggregate per share amount of cash and non-cash dividends or other distributions (other than dividends payable in the form of Common Stock) declared on the Common Stock. Dividends generally will begin to accrue on the Series A Preferred Stock as of the end of the calendar quarter immediately preceding the date of issuance of such shares and the Company is obligated to declare dividends thereon in any quarter in which Common Stock dividends are declared. If there are arrearages in the cumulative dividends of the Series A Preferred Stock, no dividends may be paid on Common Stock.

Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of the Series A Preferred Stock are entitled to receive an amount per share equal to the greater of \$100 or 100 times any payments to be made per share to Common Stock, plus all accrued but unpaid dividends thereon to the date fixed for payment of such distributive amount, before any amount is paid to the holders of the Common Stock. In the event the assets of the Company available for distribution to the Series A Preferred Stock are insufficient to permit payment in full of such distributive amount, then the assets shall be distributed ratably among the holders of Series A Preferred Stock and any other Preferred Stock on a parity therewith. The Series A Preferred Stock will rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series provide otherwise.

The holders of Series A Preferred Stock are entitled to vote together with the holders of Common Stock as a single class on all matters that come before the Company's shareholders, with each share of Series A Preferred Stock entitled to 100 votes. In the event dividends on the Series A Preferred Stock are in arrears for six consecutive quarters, the holders thereof are entitled to elect two directors to the Board of Directors until such time as such arrearage is eliminated. The Company has no option to redeem or call the Series A Preferred Stock, there is no sinking fund for the Series A Preferred Stock and the holders of such shares are not entitled to any preemptive rights. The rights of the Series A Preferred Stock as to dividends, liquidations and voting, and in the event of mergers and consolidations, are protected by customary antidilution provisions.

The remaining authorized Preferred Stock may be issued in one or more series, and the Board of Directors is authorized to fix the rights, preferences, privileges and restrictions, or any of them, or the number of shares constituting any series or the designation of the series, without any further vote or action by the shareholders. The issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change in control of the Company without further action by the shareholders and therefore could have a depressive effect on the price of the Common Stock. The issuance of Preferred Stock with voting and conversion rights may adversely affect the voting power of the holders of Common Stock, and may result in the loss of voting control to others. There are no shares of Preferred Stock outstanding, and the Company has no present plans to issue any shares of Preferred Stock other than Series A Preferred Stock that may be issued in connection with the Company's Shareholder Rights Plan. See "—Shareholder Rights Plan."

Stock Appreciation Rights

Telesis and the Company are negotiating the terms of compensation to be paid to Sterling Payot Company, an investment firm that advised Telesis and the Company, Terms currently under discussion include the issuance upon the Spin-off of 350,000 stock appreciation rights issued by each of Telesis and the Company. The exercise price for one-half of the Telesis and one-half of the Company SARs is expected to be \$30 per share and \$20 per share, respectively, and the exercise price for the remaining one-half is expected to be \$36 per share and \$24 per share, respectively. The agreement is expected to provide that once SARs with an aggregate value of \$6 million have been exercised, any remaining SARs expire and may not be exercised. The stock appreciation rights are expected to be exercisable for three years from the date of issuance.

Articles of Incorporation and By-Law Provisions

Certain of the provisions of the Articles of Incorporation and By-Laws discussed below may have the effect, either alone or in combination with each other, of making more difficult or discouraging a tender offer or takeover attempt that is opposed by the Company's Board of Directors but that a shareholder might consider to be in its best interest. Such provisions include (i) the classification of the Board of Directors into three classes effective upon the Spin-off, (ii) prohibitions against shareholder action by written consent in lieu of a meeting and (iii) supermajority approval requirements for amendments to the By-laws and certain provisions of the Articles of Incorporation.

The Company's Articles of Incorporation provide that the liability of the directors of the Company for monetary damages shall be eliminated to the fullest extent permissible under the General Corporation Law of California (the "Corporations Code"). The effect of these provisions will be to eliminate the rights of the Company and its shareholders (through derivative suits on behalf of the Company) to recover monetary damages against a director for breach of fiduciary duty as a director (including breaches resulting from grossly negligent behavior), except (i) for acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) for acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director, (iii) for any transaction from which a director derived an improper personal benefit, (iv) for acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its shareholders, (v) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, (vi) for any contract or transaction in which a director has a material financial interest that has not been approved pursuant to Section 310 of the Corporations Code or (vii) for distributions, loans or guaranties proscribed by Section 316 of the Corporations Code. The provisions will not limit the liability of directors under federal securities laws and have no effect on non-monetary remedies that may be available to the Company or its shareholders.

The following summarizes certain provisions of the Articles of Incorporation and By-Laws.

Classification of the Board of Directors. The Articles of Incorporation provide for the classification of the Board of Directors into three classes effective upon the Spin-off. The members of each class will serve until the third annual meeting following their election, except that with respect to the three classes of directors in office effective upon the Spin-off, the directors in Class I will serve only until the first annual meeting after the Spin-off, and the directors in Class II will serve only until the second annual meeting after the Spin-off.

Amendments. The approval of holders of at least 66 $\frac{2}{3}$ % of the Common Stock is required to amend the Company's By-laws and certain provisions of the Articles of Incorporation. Provisions requiring approval by 66 $\frac{2}{3}$ % of the shareholders include those relating to the classification of the Board of Directors, the monetary liability of directors and the shareholders' power to act by written consent.

Limitations on Shareholder Action by Written Consent. The Articles of Incorporation also provide that any action required or permitted to be taken by the shareholders of the Company must be taken at an annual or special meeting of shareholders, and prohibit shareholder action by written consent.

Shareholder Rights Plan

The Company's Board of Directors has adopted a shareholder rights plan (the "Rights Plan") that provides for the distribution of rights ("Rights") to holders of outstanding shares of Common Stock. Except as set forth below, each Right, when exercisable, entitles the holder thereof to purchase from the Company one one-hundredth of a share of Series A Preferred Stock at a price of \$80 per share, subject to adjustment. The Rights do not have voting rights.

Initially, the Rights are attached to all Common Stock certificates representing shares then outstanding, and no separate Rights certificates will be distributed. The Rights will not separate from the Common Stock and will not be exercisable until the earlier of (i) a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of securities representing 10% or more of the Common Stock of the Company (an "Acquiring Party") or (ii) 10 days following the commencement of (or a public announcement of an intention to make) a tender offer or exchange offer which would result in any person or group of

affiliated persons becoming an Acquiring Party. The Rights will expire on the earliest of (x) July 22, 2003, (y) consummation of a merger transaction with a person or group acquiring Common Stock pursuant to a Permitted Offer (defined below), or (z) redemption by the Company, as described below.

In the event that a person has become an Acquiring Party, proper provision will be made so that each holder of a Right (other than an Acquiring Party) will thereafter have the right (the "Subscription Right") for a 60-day period to receive, upon the exercise of the Right by the holder at the then current exercise price, that number of shares of Common Stock of the Company (or of Series A Preferred Stock or other common stock equivalent if all Common Stock has been issued) which would have a market value at the time of such transaction of two times the exercise price for each Right. This provision of the Rights Plan does not apply, however, to a tender offer or exchange offer for all outstanding shares of the Company's Common Stock at a price and on terms determined by at least a majority of the disinterested members of the Board of Directors to be in the best interests of the Company and its shareholders (a "Permitted Offer").

If, after a public announcement has been made that a person has become an Acquiring Party, either (i) the Company is involved in a merger or other business combination (other than with a person who acquired shares pursuant to a Permitted Offer) or (ii) 50% or more of the Company's assets are sold in one or a series of transactions, proper provision will be made so that each holder of a Right (other than an Acquiring Party) will thereafter have the right to receive, upon the exercise of the Right by the holder at the then current exercise price, that number of shares of Common Stock of the Company or of the acquiring company (whichever remains as the surviving corporation under the terms of the merger or consolidation) which would have a market value at the time of such transaction of two times the exercise price for each Right.

The Board of Directors, at its option, may at any time after a person becomes an Acquiring Party (but not after the acquisition by such person of 50% or more of the outstanding Common Stock) exchange on behalf of the Company all or part of the then outstanding and exercisable Rights for shares of Common Stock (or Common Stock equivalents), at an exchange ratio of one share of Common Stock or equivalent for each Right.

At any time prior to the earlier to occur of either (i) a person becoming an Acquiring Party or (ii) the expiration of the Rights, the Company may redeem the Rights in whole, but not in part, at a price of \$0.01 per Right (the "Redemption Price"). After a person becomes an Acquiring Party, the Company may also redeem the Rights in whole, but not in part, at the Redemption Price (x) if such redemption is incidental to a merger or other business combination transaction or series of transactions involving the Company but not involving an Acquiring Party or certain other related parties or (y) following an event giving rise to, and the expiration of the 60-day exercise period for, the Subscription Right if and for as long as any Acquiring Party owns less than 10% of the Company's voting securities.

The Rights Plan may have the effect of delaying, deferring or preventing a change in control of the Company without further action of the shareholders and therefore could have a depressive effect on the price of the Common Stock.

Listing

The Common Stock has been approved for listing on the New York Stock Exchange upon notice of issuance under the symbol "PTW."

Transfer Agent and Registrar

The transfer agent and registrar for the Company's Common Stock is The Bank of New York.

SHARES ELIGIBLE FOR FUTURE SALE

The 60,000,000 shares sold in the Offerings (68,500,000 shares in the event that the Underwriters' over-allotment options are exercised in full) will be freely tradable without restriction under the Securities Act except for any such shares that may be acquired by an "affiliate" of the Company (an "Affiliate") as that term is defined in Rule 144 promulgated under the Securities Act ("Rule 144"), which shares will remain subject to the resale limitations of Rule 144.

The 424,122,960 shares of the Company's Common Stock to be held by Telesis after the Offerings (including 122,960 shares held by a wholly owned subsidiary of the Company) will constitute "restricted securities" within the meaning of Rule 144, and will be eligible for sale by Telesis in the open market after the Offerings, subject to certain contractual lockup provisions and to the applicable requirements of Rule 144, both of which are described below. So long as Telesis is able to elect a majority of the Board of Directors, it will also be able to cause the Company at any time to register under the Securities Act all or a portion of the Common Stock owned by it, in which event Telesis would be able to sell such shares upon the effectiveness of any such registration.

Generally, Rule 144 provides that a person who has beneficially owned restricted shares of Common Stock for at least two years will be entitled to sell on the open market in brokers' transactions within any three-month period a number of shares that does not exceed the greater of (a) 1% of the then outstanding shares of Common Stock and (b) the average weekly trading volume in the Common Stock on the open market during the four calendar weeks preceding the proposed sale. Sales under Rule 144 are also subject to certain notice requirements and the availability of current public information about the Company.

In the event any person other than Telesis who is deemed to be an Affiliate purchases Common Stock pursuant to the Offerings or exercises stock options pursuant to an employee benefit plan of the Company, or otherwise acquires Common Stock, the shares held by such person are required under Rule 144 to be sold in brokers' transactions, subject to the volume limitations described above. Shares properly sold in reliance upon Rule 144 to persons who are not Affiliates are thereafter freely tradable without restriction or registration under the Securities Act.

The Spin-off will involve the distribution of 424,000,000 shares of Common Stock of the Company to the shareowners of Telesis. Substantially all of such shares will be eligible for immediate resale in the public market. Currently it is expected that the Spin-off will occur within six months after the closing of the Offerings. The Company is unable to predict whether substantial amounts of Common Stock will be sold in the open market in anticipation of, or following, the Spin-off. Sales of substantial amounts of Common Stock in the public market following the Offerings, or the perception that such sales might occur, whether as a result of the Spin-off or otherwise, could adversely affect the market price of the Common Stock.

The Company, each of its officers, directors and prospective directors and Telesis have agreed that they will not, with certain exceptions, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of any shares of Common Stock, except those offered hereby, or any securities convertible into, or exchangeable for, Common Stock, for a period of 180 days from the date of this Prospectus without the prior written consent (which will not be unreasonably withheld) of the Representatives, the European Representatives and the Asian Representatives (as defined below), except, solely in the case of Telesis, for shares to be distributed by Telesis to its shareowners in the Spin-off, in the Spin-off, Telesis intends to distribute one share of Common Stock for each outstanding share of common stock of Telesis. In the event that Telesis continues to hold shares of Common Stock of the Company following such distribution, it will not be restricted from selling up to 2,000,000 such shares in the public market prior to the end of the 180-day period.

EXHIBIT INDEX

Exhibits identified in parentheses below, on file with the Commission, are incorporated by reference as exhibits hereto.

<u>Exhibit Number</u>	<u>Description</u>
1.1†	Form of U.S. Underwriting Agreement
1.2	Form of Asian Underwriting Agreement
1.3	Form of European Underwriting Agreement
1.4	Form of Agreement Among U.S. Underwriters, European Managers and Asian Managers
<i>Copied</i> — 3.1	Amended and Restated Articles of Incorporation of the Company, as filed with the Secretary of State of the State of California on October 18, 1993
<i>Copied</i> — 3.2	Amended and Restated By-laws of the Company, as adopted on September 23, 1993
4.1	Form of Common Stock certificate
4.2†	Rights Agreement between the Company and The Bank of New York, Rights Agent, dated as of July 22, 1993
5*	Opinion re legality of shares being registered
<i>Copied</i> — 10.1	Separation Agreement by and between the Company and Pacific Telesis Group, dated as of October 7, 1993
10.2	Form of Indemnity Agreement
10.3†	PacTel Corporation 1993 Long-Term Stock Incentive Plan
10.4†	PacTel Corporation Long-Term Incentive Plan
10.5†	PacTel Corporation Short-Term Incentive Plan
10.6†	PacTel Corporation Employees Pension Plan
10.7	Representative Employment Agreement for Certain Senior Officers of Pacific Telesis Group (Exhibit 10pp to Form 10-K of Telesis for 1988, File No. 1-8609)
10.8	Pacific Telesis Group Senior Management Short Term Incentive Plan (Exhibit 10-aa to Pacific Telesis Group Shareowner Dividend Reinvestment and Stock Purchase Plan Registration Statement No. 2-87852)
10.9	Resolutions amending the Plan, effective August 28, 1987 (Exhibit 10aa to Form 10-K of Telesis for 1991, File No. 1-8609)
10.10	Pacific Telesis Group Senior Management Long Term Incentive Plan (Exhibit 10aa to Form 10-K of Telesis for 1985, File No. 1-8609)
10.11	Pacific Telesis Group Executive Life Insurance Plan (Exhibit 10cc to Form 10-K of Telesis for 1986, File No. 1-8609)
10.12	Pacific Telesis Group Senior Management Long Term Disability and Survivor Protection Plan (Exhibit 10dd to Form 10-K of Telesis for 1988, File No. 1-8609)
10.13	Resolutions amending the Plan effective May 2, 1992 and November 20, 1992 (Exhibit 10dd (f) to Form 10-K of Telesis for 1992, File No. 1-8609)

<u>Exhibit Number</u>	<u>Description</u>
10.14	Pacific Telesis Group Senior Management Transfer Program (Exhibit 10ee to Pacific Telesis Group Shareowner Dividend Reinvestment and Stock Purchase Plan Registration Statement No. 2-87852)
10.15	Pacific Telesis Group Senior Management Financial Counseling Program (Exhibit 10ff to Pacific Telesis Group Shareowner Dividend Reinvestment and Stock Purchase Plan Registration Statement No. 2-87852)
10.16	Pacific Telesis Group Deferred Compensation Plan for Nonemployee Directors (Exhibit 10gg to Form 10-K of Telesis for 1990, File No. 1-8609)
10.17	Resolutions amending the Plan effective December 21, 1990, November 20, 1992 and December 18, 1992 (Exhibit 10gg(i) to Form 10-K of Telesis for 1992, File No. 1-8609)
10.18	Description of Pacific Telesis Group Directors' and Officers' Liability Insurance Program (Exhibit 10hh to Form 10-K of Telesis for 1992, File No. 1-8609)
10.19	Description of Pacific Telesis Group for Nonemployee Directors' Travel Accident Insurance (Exhibit 10ii to Form 10-K of Telesis for 1989, File No. 1-8609)
10.20	Resolutions amending the Plan, effective as of June 28, 1991 (Exhibit 10kk to Form 10-K of Telesis for 1991, File No. 1-8609)
10.21	Resolutions amending the Plan effective May 22, 1992 and November 20, 1992 (Exhibit 10kk(ii) to Form 10-K of Telesis for 1992, File No. 1-8609)
10.22	Pacific Telesis Group Mid-Career Hire Program (Exhibit 10mm to Form 10-K of Telesis for 1988, File No. 1-8609)
10.23	Pacific Telesis Group Mid-Career Pension Plan (Exhibit 10nn to Form 10-K of Telesis for 1988, File No. 1-8609)
10.24	Resolutions amending the Plan effective May 22, 1992 and November 20, 1992 (Exhibit 10kk(ii) to Form 10-K of Telesis for 1992, File No. 1-8609)
10.25	Pacific Telesis Group Executive Deferral Plan (Exhibit 10ll to Form 10-K of Telesis for 1989, File No. 1-8609)
10.26	Resolutions amending the Plan effective November 20, 1992 and December 23, 1992 (Exhibit 10ll(i) to Form 10-K of Telesis for 1992, File No. 1-8609)
10.27	Pacific Telesis Group Stock Option and Stock Appreciation Rights Plan (Plan Text, Sections 1-17, in Registration Statement No. 33-15391)
10.28	Resolutions amending the Plan effective November 17, 1989 and June 26, 1992 (Exhibit 10oo(i) to Form 10-K of Telesis for 1992, File No. 1-8609)
10.29	Pacific Telesis Group Outside Directors' Retirement Plan (Exhibit 10ss to Form 10-K of Telesis for 1984, File No. 1-8609)
10.30	Resolution amending the Plan effective May 25, 1990 (Exhibit 10ss(i) to Form 10-K of Telesis for 1992, File No. 1-8609)
10.31	Representative Indemnity Agreement between Pacific Telesis Group and certain of its officers and each of its directors (Exhibit 10tt to Form 10-K of Telesis for 1987, File No. 1-8609)
10.32	Trust Agreement between Pacific Telesis Group and Bank of America National Trust and Savings Association in connection with the Pacific Telesis Group Executive Deferral Plan (Exhibit 10uu to Form 10-K of Telesis for 1988, File No. 1-8609)
10.33	Amendment to Trust Agreement No. 1 effective December 11, 1992 (Exhibit 10uu(i) to Form 10-K of Telesis for 1992, File No. 1-8609)

<u>Exhibit Number</u>	<u>Description</u>
10.34	Trust Agreement between Pacific Telesis Group and Bank of America National Trust and Savings Association in connection with the Pacific Telesis Group Deferred Compensation Plan for the Non-Employee Directors (Exhibit 10w to Form 10-K of Telesis for 1988, File No. 1-8609)
10.35	Amendment to Trust Agreement No. 2 effective December 11, 1992 (Exhibit 10w(i) to Form 10-K of Telesis for 1992, File No. 1-8609)
10.36	Pacific Telesis Group Long Term Incentive Award Deferral Plan (Exhibit 10ww to Form 10-K of Telesis for 1989, File No. 1-8609)
10.37	Resolutions merging the Plan with the Executive Deferral Plan effective May 22, 1992 (Exhibit 10ww(i) to Form 10-K of Telesis for 1992, File No. 1-8609)
10.38	Pacific Telesis Group Nonemployee Director Stock Option Plan (Exhibit A to Pacific Telesis Group's 1990 Proxy Statement filed February 26, 1990, File No. 1-8609)
10.39	Pacific Telesis Group Supplemental Executive Retirement Plan (Exhibit 10yy to Form 10-K of Telesis for 1990, File No. 1-8609)
10.40	Resolutions amending the Plan effective November 20, 1992 (Exhibit 10yy(i) to Form 10-K of Telesis for 1992, File No. 1-8609)
10.41	Amended and Restated Plan of Merger and Joint Venture Organization by and among the Company, CCI, CCI Newco, Inc. and CCI Newco Sub, Inc. dated as of December 14, 1990 (Exhibit 1 to the Company's Statement on Schedule 13D filed on February 18, 1992)
10.42	Termination Agreement by and among Telesis, the Company, CCI and Cellular Communications of Ohio, Inc. dated December 11, 1992 (Exhibit 5 to Amendment No. 28 to the Company's Statement on Schedule 13D filed on December 12, 1992)
10.43	Joint Venture Agreement between Mannesmann Kenzie GmbH, Pacific Telesis Netherlands B.V., Cable and Wireless plc, DG Bank Deutsch Genossenschaftsbank and Lyonnaise des Eaux SA dated June 30, 1989
21*	Subsidiaries of the Company
23.1	Consent of Coopers & Lybrand
23.2	Consent of Ernst & Young
23.3	Consent of KPMG Deutsche Treuhand-Gesellschaft
23.4*	Attorney's consent (included in Exhibit 5)
24	Powers of Attorney
99†	Modification of Final Judgment, United States District Court, District of Columbia, in "U.S. v. American Tel. & Tel. Co.," Civil Action No. 82-0192

†Previously filed.

*To be filed by amendment.

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
PACTEL CORPORATION

**ENDORSED
FILED**
in the office of the Secretary of State
of the State of California

OCT. 18 1993

ARCH FONG EU, Secretary of State

L. R. Daniels and P. H. White certify that:

1. They are a Vice President and an Assistant Secretary, respectively, of Pactel Corporation, a California corporation.

2. The Articles of Incorporation of the corporation are amended and restated to read as follows:

FIRST: The name of the corporation is:

Pactel Corporation

SECOND: The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

THIRD:

A. The corporation is authorized to issue two classes of shares, to be designated respectively Preferred Stock ("Preferred Stock") and Common Stock ("Common Stock"). The total number of shares of capital stock that the corporation is authorized to issue is 1,150,000,000, of which 50,000,000 shall be Preferred Stock and 1,100,000,000 shall be Common Stock. Both the Preferred Stock and Common Stock shall have a par value of \$.01 per share. At the time this amendment becomes effective, each share of Class A Common Stock, no par value ("Class A Common Stock"), issued and outstanding at such time shall be, and hereby is, changed and reclassified into 4,240 fully paid and non-assessable shares of Common Stock, and each share of Class B Common Stock, no par value ("Class B Common Stock"), issued and outstanding at such time shall be, and hereby is, changed and reclassified into 4,240 fully paid and nonassessable shares of Common Stock. Each outstanding stock certificate of the corporation which, immediately prior to the time this amendment becomes effective, represented one or more shares of Class A or Class B Common Stock shall thereafter represent the same number of shares of Common Stock, and the corporation shall issue and deliver to each holder of Class A or Class B Common Stock of the corporation of record immediately prior to the time this amendment becomes effective one or more

certificates representing an appropriate number of additional shares of Common Stock.

B. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the corporation (the "Board of Directors") is expressly authorized to provide for the issue of all or any of the shares of the Preferred Stock in one or more series, and to fix the designation and number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issue of such shares and as may be permitted by the General Corporation Law of California. The Board of Directors is also expressly authorized to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issue of shares of that series. If the number of shares of any such series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

FOURTH:

A. The authorized number of directors of the corporation shall not be less than three nor more than five; provided that upon the effectiveness of Paragraph B of this Article FOURTH the authorized number of directors shall be not less than 9 nor more than 17. The exact authorized number of directors shall be fixed from time to time, within the limits specified in this Article FOURTH, by resolution of the Board of Directors, or by a by-law or amendment thereof duly adopted by the Board of Directors or the affirmative vote of the holders of shares representing at least 66-2/3% of the outstanding shares of the corporation entitled to vote.

B. The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III, as nearly equal in number as possible, and the term of office of directors of one class shall expire at each annual meeting of shareholders, and in all cases as to each director until his successor shall be elected and shall qualify or until his earlier resignation, removal from office, death or incapacity. Additional directorships resulting from an increase in number of directors shall be apportioned among the classes as equally as possible. The initial terms of office shall be determined by resolution duly adopted by the Board of Directors. At each annual meeting of shareholders the number of directors equal to the number of directors of the class whose term expires at the time of such meeting (or, if less, the number of directors properly nominated and qualified for election) shall be elected to hold office until the third succeeding annual meeting of shareholders after their election. This

Paragraph B of this Article FOURTH shall become effective only when (i) the corporation shall have become a "listed corporation" within the meaning of section 301.5 of the California Corporations Code and (ii) Pacific Telesis Group, a Nevada corporation ("Telesis"), shall have distributed to its shareholders shares of common stock of the corporation then owned by Telesis such that Telesis shall thereafter cease to hold of record a majority of the outstanding shares of Common Stock of the corporation (as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934).

C. Vacancies in the Board of Directors, including, without limitation, vacancies created by the removal of any director, may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director.

FIFTH: No shareholder may cumulate votes in the election of directors. This Article FIFTH shall become effective only when the corporation becomes a "listed corporation" within the meaning of section 301.5 of the California Corporations Code.

SIXTH: The corporation shall indemnify any director or officer of the corporation in all circumstances in which indemnification is permitted by California law. The corporation shall advance the expenses of any director or officer in all circumstances in which such advancement of expenses is permitted by the provisions of section 317(f) of the California Corporations Code. In addition to the mandatory indemnification provided for in this Article SIXTH, and without otherwise limiting the corporation's ability to indemnify persons other than directors and officers by contract or otherwise, the corporation is authorized to indemnify agents (as defined in section 317 of the California Corporations Code and including any and all persons who have consented to serve as directors of the corporation) through by-law provisions, agreements with agents, vote of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by section 317 of the California Corporations Code, to the fullest extent permissible under California law.

SEVENTH: The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

EIGHTH: Any action required or permitted to be taken by shareholders of the corporation must be taken at a duly called annual or special meeting of shareholders of the corporation, and no action may be taken by the written consent of the shareholders. This Article EIGHTH shall become effective only when Telesis shall have distributed to its shareholders shares of Common Stock of the corporation then owned by Telesis such that Telesis shall thereafter cease to hold a majority of the outstanding shares of Common Stock of the corporation (as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934).

NINTH: The corporation shall not assert any claim against Telesis or its subsidiaries (Telesis, together with such subsidiaries (other than the corporation and its subsidiaries), the "Telesis Companies"), or any officer, director or other affiliate of the Telesis Companies or of the corporation, for breach of any duty, including, but not limited to, the duty of loyalty or fair dealing, on account of a diversion of a corporate business opportunity to the Telesis Companies unless such opportunity relates solely to a business that the corporation has the right to elect to pursue, to the exclusion of the Telesis Companies, pursuant to the Separation Agreement between Telesis and the corporation dated as of October 7, 1993. Notwithstanding the foregoing, no such claim shall be made in any event if the corporation's directors who are not employees of any of the Telesis Companies disclaim such opportunity by a unanimous vote.

TENTH: Notwithstanding any other provision of these Articles of Incorporation to the contrary, outstanding shares of stock of the corporation shall always be subject to redemption by the corporation, by action of the Board of Directors, if in the judgment of the Board of Directors such action should be taken, pursuant to applicable law, to the extent necessary to prevent the loss or secure the reinstatement of any license or franchise from any governmental agency held by the corporation or any of its subsidiaries to conduct any portion of the business of the corporation or any of its subsidiaries, which license or franchise is conditioned upon some or all of the holders of the corporation's stock possessing prescribed qualifications. The terms and conditions of such redemption shall be as follows:

(a) the redemption price of the shares to be redeemed pursuant to this Article Tenth shall be equal to the Fair Market Value of such shares;

(b) the redemption price of such shares may be paid in cash, Redemption Securities or any combination thereof;

(c) if less than all the shares held by Disqualified Holders are to be redeemed, the shares to be redeemed shall be selected in such manner as shall be determined by the Board of Directors, which may include selection first of the most recently purchased shares thereof, selection by lot or selection in any other manner determined by the Board of Directors;

(d) at least 30 days' advance written notice of the Redemption Date shall be given to the record holders of the shares selected to be redeemed (unless waived in writing by any such holder), provided that the Redemption Date may be the date on which written notice shall be given to record holders if the cash or Redemption Securities necessary to effect the redemption shall have

been deposited in trust for the benefit of such record holders and subject to immediate withdrawal by them upon surrender of the stock certificates for their shares to be redeemed; and

(e) from and after the Redemption Date, any and all rights of the owners of shares selected for redemption (including without limitation any rights to vote or receive dividends), shall cease and terminate and they shall thenceforth be entitled only to receive the cash or Redemption Securities payable upon redemption.

For purposes of this Article TENTH:

(i) "Disqualified Holder" shall mean any holder of shares of stock of the corporation whose holding of such stock, either individually or when taken together with the holding of shares of stock of the corporation by any other holders, may result, in the judgment of the Board of Directors, in the loss of, or the failure to secure the reinstatement of, any license or franchise from any governmental agency held by the corporation or any of its subsidiaries to conduct any portion of the business of the corporation or any of its subsidiaries.

(ii) "Fair Market Value" of a share of the corporation's stock of any class or series shall mean the average Closing Price for such a share for each of the 45 most recent days on which shares of stock of such class or series shall have been traded preceding the day on which notice of redemption shall be given pursuant to Paragraph (d) of this Article TENTH; provided, however, that if shares of stock of such class or series are not traded on any securities exchange or in the over-the-counter market, "Fair Market Value" shall be determined by the Board of Directors in good faith. "Closing Price" on any day means the reported closing sales price or, in case no such sale takes place, the average of the reported closing bid and asked prices on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation for such stock on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such prices or quotations are available, the fair market value on the day in question as determined by the Board of Directors in good faith.

(iii) "Redemption Date" shall mean the date fixed by the Board of Directors for the redemption of any shares of stock of the corporation pursuant to this Article TENTH.

(iv) "Redemption Securities" shall mean any debt or equity securities of the corporation, any of its subsidiaries or any other corporation, or any combination thereof, having such terms and conditions as shall be approved by the Board of Directors and which, together with any cash to be paid as part of the redemption price, in the opinion of any nationally recognized investment banking firm selected by the Board of Directors (which may be a firm which provides other investment banking, brokerage or other services to the corporation), has a value, at the time notice of redemption is given pursuant to Paragraph (d) of this Article TENTH, at least equal to the price required to be paid pursuant to Paragraph (a) of this Article TENTH (assuming, in the case of Redemption Securities to be publicly traded, such Redemption Securities were fully distributed and subject only to normal trading activity).

ELEVENTH: Without limiting its rights under the California Corporations Code, the Board of Directors is hereby authorized to create and issue, by dividend or otherwise and whether or not in connection with the issuance and sale of any of its stock or other securities or property, rights entitling the holders thereof to purchase from the corporation shares of stock or other securities of the corporation or any other corporation ("Rights") which Rights may be attached to and trade with the shares of Common Stock. The Rights may provide for different or discriminate treatment among the holders of the Rights in accordance with criteria selected by the Board of Directors in connection with the creation of the Rights, which criteria may include the number of shares of Common Stock held by a holder of Rights or the percentage of the outstanding shares of Common Stock of the corporation held by a holder of Rights.

TWELFTH: The Board of Directors is expressly authorized to make, amend or repeal the by-laws of the corporation, without any action on the part of the shareholders, solely by the affirmative vote of at least 66-2/3% of the directors of the corporation, except where approval of the shareholders is required by law. The by-laws may also be amended or repealed by the shareholders, but only by the affirmative vote of the holders of shares representing at least 66-2/3% of the outstanding shares of the corporation entitled to vote.

THIRTEENTH: The amendment or repeal of Articles **FOURTH, FIFTH, SIXTH, SEVENTH, EIGHTH, NINTH, TENTH, ELEVENTH, TWELFTH** and **THIRTEENTH** shall require the approval of the holders of shares representing at least 66-2/3% of the outstanding shares of the corporation entitled to vote.

3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the Board of Directors.

4. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with section 902 of the California Corporations Code. Immediately prior to this amendment and restatement, the corporation had two classes of shares outstanding, Class A Common Stock and Class B Common Stock, of which 100,000 and 29 shares were outstanding, respectively. The total number of outstanding shares of the corporation is 100,029. The foregoing amendment and restatement of the Articles of Incorporation was approved by 100% of the outstanding shares of the corporation. The percentage vote required was more than 50%. We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this Certificate are true and correct of our own knowledge.

Dated: October 15, 1993.

L. R. Daniels

L. R. Daniels
Vice President

P. H. White

P. H. White
Assistant Secretary

EXHIBIT 3.2

AMENDED AND RESTATED

B Y - L A W S

OF

PACTEL CORPORATION

ARTICLE I

Principal Office

Section 1. The principal executive office for the transaction of the business of the corporation is hereby fixed and located at 2999 Oak Road, Walnut Creek, CA 94596. The board of directors may change said principal executive office from one location to another.

ARTICLE II

Meetings of Shareholders

Section 1. All meetings of the shareholders shall be held at any place within or without the State of California which may be designated by the board of directors. In the absence of any such designation, shareholders' meetings shall be held at the principal executive office of the corporation.

Section 2. The annual meeting of the shareholders of the corporation first following the adoption of these by-laws shall be held on the 59th day following the effective date of the Registration Statement on Form S-1 filed by the corporation with the Securities and Exchange Commission on August 27, 1993, and the record date for such meeting shall be the day immediately preceding such effective date. The next annual meeting shall be held in 1995 in the months of April through July on such date and at such time as shall be determined by the board of directors; and each annual meeting thereafter shall be held on such date and at such time (but not more than 15 months after the date of the preceding annual meeting) as shall be determined by the board of directors. At such meeting, directors shall be elected and any other proper business may be transacted which is within the powers of the shareholders. Written notice of each annual meeting shall be given to each shareholder entitled to vote either personally or by first-class (or by third-class, if there are 500 or more shareholders of record) mail or other means of written communication (which includes, without limitation and wherever used in these by-laws, telegraphic and facsimile communication), charges prepaid, addressed to each shareholder at the address appearing on the books of the corporation, or given by the shareholder to the corporation for the purpose of notice. If any notice or report addressed to the shareholder at the address of such shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate

that the United States Postal Service is unable to deliver the notice or report to the shareholder at such address, all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available for the shareholder upon written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of the giving of the notice or report to all other shareholders. If no address of a shareholder appears on the books of the corporation or is given by the shareholder to the corporation, notice is duly given to him or her if sent by mail or other means of written communication addressed to the place where the principal executive office of the corporation is located or if published at least once in a newspaper of general circulation in the county in which said principal executive office is located.

All such notices shall be given to each shareholder entitled thereto not less than 10 days (30 days if there are 500 or more shareholders of record and the corporation sends notice by third-class mail) nor more than 60 days before each annual meeting. Any such notice shall be deemed to have been given at the time when delivered personally or deposited in the United States mail or delivered to a common carrier for transmission to the recipient or actually transmitted by the person giving the notice by electronic means to the recipient or sent by other means of written communication.

Such notices shall state:

- (a) the place, date and hour of the meeting;
- (b) those matters which the board, at the time of the mailing of the notice, intends to present for action by the shareholders;
- (c) if directors are to be elected, the names of nominees intended at the time of the notice to be presented by management for election; and
- (d) such other matters, if any, as may be expressly required by statute.

Section 3. Special meetings of the shareholders for the purpose of taking any action permitted to be taken by the shareholders under the General Corporation Law and the articles of incorporation of this corporation, may be called by the chairman of the board, the chief executive officer or the president, or by any executive vice president or vice president, or by the board of directors, or by the holders of shares entitled to cast not less than ten percent of the votes at the meeting.

Upon request in writing delivered either in person or by registered or certified mail, return receipt requested, to the chairman, chief executive officer, president or secretary by any persons entitled to call a meeting of shareholders, it shall be

the duty of such chairman, chief executive officer, president or secretary forthwith to cause to be given to the shareholders entitled thereto notice of such meeting to be held on a date not less than 20 nor more than 90 days after the receipt of such request, as such officer may fix. If such notice is not given within 40 days after the delivery of or mailing of such request, the persons calling the meeting may fix the time of meeting and give notice thereof as in the manner hereinafter provided, or cause such notice to be given by any designated representative.

Except in special cases where other express provision is made by statute, notice of such special meetings shall be given in the same manner and contain the same statements as required for annual meetings of shareholders. Notice of any special meeting shall also specify the general nature of the business to be transacted, and no other business may be transacted at such meeting.

Section 4. The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum. In the absence of a quorum, any meeting of shareholders may be adjourned from time to time by the vote of a majority of the shares represented either in person or by proxy, but no other business may be transacted except as provided in the preceding sentence.

Section 5.

(a) Except as provided in the articles of incorporation, every shareholder complying with paragraph (b) and entitled to vote at any election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are normally entitled, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder thinks fit.

(b) No shareholder shall be entitled to cumulate votes (i.e., cast for any candidate a number of votes greater than the number of votes which such shareholder normally is entitled to cast) unless such candidate or candidates' names have been placed in nomination prior to the voting and the shareholder has given notice at the meeting prior to the voting of the shareholder's intention to cumulate the shareholder's votes. If any one shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination.

(c) In any election of directors, the candidates receiving the highest number of votes of the shares entitled to be voted for

them up to the number of directors to be elected by such shares are elected.

Section 6. To be properly brought before the annual meeting, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (b) otherwise properly brought before the meeting by or at the direction of the board of directors, or (c) otherwise properly brought before the meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before the annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation, addressed to the attention of the Secretary of the corporation, within the time specified in the federal proxy rules for timely submission of a shareholder proposal or, if not within such time, then not less than 35 days nor more than 60 days prior to the meeting; provided, however, that in the event that less than 50 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received by the earlier of (a) the close of business on the 15th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs, and (b) two days prior to the date of the meeting. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, (ii) the name and record address of the shareholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the shareholder, and (iv) any material interest of the shareholder in such business. Notwithstanding anything in these by-laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 6; provided, however, that nothing in this Section 6 shall be deemed to preclude discussion by any shareholder of any business properly brought before the annual meeting.

The Chairman of the board of directors shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 6, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 7. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the board of directors at the annual meeting, by or at the direction of the board of directors, may be made by any Nominating Committee or person appointed by the board of directors; nominations may also be made by any shareholder of the corporation entitled to vote for

the election of directors at the meeting who complies with the notice procedures set forth in this Section 7. Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation addressed to the attention of the Secretary of the corporation not less than 35 days prior to the meeting or the date the shareholders are first solicited for their consents as the case may be; provided, however, that, in the case of an annual meeting and in the event that less than 50 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the earlier of (a) the close of business on the 15th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs, or (b) two days prior to the date of the meeting. Such shareholder's notice to the Secretary shall set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the corporation which are beneficially owned by the person, (iv) a statement as to the person's citizenship, and (v) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder; and (b) as to the shareholder giving the notice, (i) the name and record address of the shareholder and (ii) the class, series and number of shares of capital stock of the corporation which are beneficially owned by the shareholder. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as director of the corporation. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth herein.

In connection with any annual meeting, the Chairman of the board of directors shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

ARTICLE III Board of Directors

Section 1. Subject to the provisions of the California General Corporation Law and any limitations in the articles of incorporation and these by-laws as to action to be authorized or

approved by the shareholders, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the board of directors shall have the following powers:

First: To conduct, manage and control the affairs and business of the corporation and to make such rules and regulations therefor, not inconsistent with law or with the articles of incorporation or with the by-laws, as they may deem best;

Second: To elect and remove at pleasure the officers, agents and employees of the corporation, prescribe their duties and fix their compensation;

Third: To authorize the issue of shares of stock of the corporation from time to time upon such terms as may be lawful;

Fourth: To borrow money and incur indebtedness for the purposes of the corporation and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor; and

Fifth: To alter, repeal or amend, from time to time, and at any time, these by-laws and any and all amendments of the same, and from time to time, and at any time, to make and adopt such new and additional by-laws as may be necessary and proper, subject to the power of the shareholders to adopt, amend or repeal such by-laws, or to revoke the delegation of authority of the directors, as provided by law or by Article VI of these by-laws.

Section 2. The provisions governing the number of directors are stated in the Articles of Incorporation and may be changed only by an amendment of the Articles of Incorporation. Subject to the provisions of the Articles of Incorporation for changing the authorized number of directors, the authorized number of directors of the corporation shall be three.

ARTICLE IV Meetings of Directors

Section 1. Regular meetings of the board of directors shall be held at any place within or without the State of California that has been designated from time to time by the board of directors. In the absence of such designation, regular meetings shall be held at the principal executive office of the

corporation, except as provided in Section 2 of this Article. Special meetings of the board of directors may be held at any place within or without the State of California which has been designated in the notice of the meeting, or, if not designated in the notice or if there is no notice, at the principal executive office of the corporation.

Section 2. Immediately following each annual meeting of the shareholders there shall be a regular meeting of the board of directors of the corporation at the place of said annual meeting or at such other place as shall have been designated by the board of directors for the purpose of organization, election of officers and the transaction of other business. Other regular meetings of the board of directors shall be held without call on such date and time as may be fixed by the board of directors; provided, however, that should any such day fall on a legal holiday, then said meeting shall be held at the same time on the next business day thereafter ensuing which is not a legal holiday. Notice of regular meetings of the directors is hereby dispensed with and no notice whatever of any such meeting need be given, provided that notice of any change in the time or place of regular meetings shall be given to all of the directors in the same manner as notice for special meetings of the board of directors.

Section 3. Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, chief executive officer or president or, if the chairman of the board, chief executive officer and the president are all absent or are unable or refuse to act, by any executive vice president or vice president or by any two directors. Notice of the time and place of special meetings shall be delivered personally or by telephone to each director, or sent by first-class mail or telegram or facsimile transmission, charges prepaid, addressed to him or her at his or her home or office address as they appear upon the records of the corporation or, if not so shown on the records and not readily ascertainable, at the place at which the meetings of the directors are regularly held. In case such notice is mailed, it shall be deposited in the United States mail at least four days prior to the time of the holding of the meeting. In case such notice is telegraphed or sent by facsimile transmission, it shall be delivered to a common carrier for transmission to the director or actually transmitted by the person giving the notice by electronic means to the director at least 48 hours prior to the time of the holding of the meeting. In case such notice is delivered personally or by telephone as above provided, it shall be so delivered at least eight hours prior to the time of the holding of the meeting. Any notice given personally, by facsimile or by telephone may be communicated to either the director or to a person at the office of the director whom the person giving the notice has reason to believe will promptly communicate it to the director. Such deposit in the mail, delivery to a common carrier, transmission by electronic means or delivery, personally or by telephone, as above provided, shall be due, legal and personal notice to such directors. The

notice need not specify the place of the meeting if the meeting is to be held at the principal executive office of the corporation, and need not specify the purpose of the meeting.

Section 4. Presence of a majority of the authorized number of directors at a meeting of the board of directors constitutes a quorum for the transaction of business, except as hereinafter provided. Members of the board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, provided that any action taken is approved by at least a majority of the required quorum for such meeting. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 5. Notice of a meeting need not be given to any director who signs a waiver of notice or consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 6. Any action required or permitted to be taken by the board of directors may be taken without a meeting if all members of the board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

Section 7. The provisions of this Article IV shall also apply, with necessary changes in points of detail, to committees of the board of directors, if any, and to actions by such committees (except (i) for the first sentence of Section 2 of Article IV, which shall not apply, (ii) that special meetings of a committee may also be called at any time by any two members of the committee and (iii) that any committee may by resolution adopt provisions governing notice of committee meetings that are different from the provisions of Article IV, Section 3 of these by-laws), unless otherwise provided by these by-laws or by the resolution of the board of directors designating such committees. For such purpose, references to "the board" or "the board of directors" shall be deemed to refer to each such committee and references to "directors" or "members of the board" shall be deemed to refer to members of the committee. Committees of the board of directors may be designated, and shall be subject to the

limitations on their authority, as provided in Section 311 of the General Corporation Law. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors.

ARTICLE V Officers

Section 1. The officers of the corporation shall be a chairman of the board, chief executive officer or a president, or all of the foregoing, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the board of directors, one or more executive vice presidents and vice presidents, a treasurer, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be designated from time to time by the board of directors. Any number of offices may be held by the same person. The officers shall be elected by the board of directors and shall hold office at the pleasure of such board.

Chairman of the Board

Section 2. The chairman of the board, if there be such officer, shall, if present, preside at all meetings of the board of directors and exercise and perform such other powers and duties as may be from time to time assigned to him or her by the board of directors or prescribed by the by-laws. If there is not a chief executive officer, the chairman of the board shall, in addition, be the general manager and chief executive officer of the corporation and shall have the powers and duties prescribed in Section 3 of Article V of these by-laws.

Chief Executive Officer

Section 3. Subject to such powers and duties, if any, as may be prescribed by these by-laws or the board of directors for the chairman of the board, if there be such officer, the chief executive officer shall, subject to the control of the board of directors, have general supervision, direction and control of the business and officers of the corporation. He or she shall preside at all meetings of the shareholders and, in the absence of the chairman of the board, or if there be none, at all meetings of the board of directors. He or she shall have all the powers and shall perform all of the duties which are ordinarily inherent in the office of chief executive officer of a corporation, and he or she shall have such further powers and shall perform such further duties as may be prescribed for him or her by the board of directors.

President

Section 4. In the absence or disability of the chief executive officer, or if there be none, the president shall

perform all of the duties of the chief executive officer, and when so acting shall have all of the powers of and be subject to all of the restrictions upon the chief executive officer. The president shall have such other duties as from time to time may be prescribed for him by the board of directors.

Executive Vice Presidents and Vice Presidents

Section 5. In the absence or disability or refusal to act of the president, the executive vice presidents and vice presidents in order of their rank as fixed by the board of directors or, if not ranked, the executive vice presidents or vice president designated by the president or the board of directors, shall perform all of the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the president. The executive vice presidents and vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them, respectively, by the board of directors or the by-laws.

Secretary

Section 6. The secretary shall keep or cause to be kept at the principal executive office of the corporation or such other place as the board of directors may order, a book of minutes of all proceedings of the shareholders, the board of directors and committees of the board, with the time and place of holding, whether regular or special, and if special how authorized, the notice thereof given, the names of those present at directors' and committee meetings, and the number of shares present or represented at shareholders' meetings. The secretary shall keep or cause to be kept at the principal executive office or at the office of the corporation's transfer agent a record of shareholders or a duplicate record of shareholders showing the names of the shareholders and their addresses, the number of shares and classes of shares held by each, the number and date of certificates issued for the same and the number and date of cancellation of every certificate surrendered for cancellation. The secretary or an assistant secretary or, if they are absent or unable or refuse to act, any other officer of the corporation, shall give or cause to be given notice of all the meetings of the shareholders, the board of directors and committees of the board required by the by-laws or by law to be given, and he or she shall keep the seal of the corporation, if any, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by the by-laws.

Assistant Secretaries

Section 7. It shall be the duty of the assistant secretaries to assist the secretary in the performance of his or her duties and generally to perform such other duties as may be delegated to them by the board of directors.

Chief Financial Officer

Section 8. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of account of the corporation. He or she shall receive and deposit all moneys and other valuables belonging to the corporation in the name and to the credit of the corporation and shall disburse the same only in such manner as the board of directors or the appropriate officers of the corporation may from time to time determine, shall render to the chief executive officer and the board of directors, whenever they request it, an account of all his or her transactions as chief financial officer and of the financial condition of the corporation, and shall perform such further duties as the board of directors may require.

Treasurer and Assistant Treasurers

Section 9. The treasurer of the corporation, if any, shall have such duties as may be specified by the chief financial officer to assist the chief financial officer in the performance of his or her duties. It shall be the duty of the assistant treasurers to assist the treasurer in the performance of his or her duties and generally to perform such other duties as may be delegated to them by the board of directors.

ARTICLE VI Amendments

Section 1. New by-laws may be adopted or these by-laws may be amended or repealed by the affirmative vote of 66-2/3% of the outstanding shares entitled to vote, except as otherwise provided by law or by the articles of incorporation or these by-laws.

Section 2. Subject to the right of shareholders as provided in Section 1 of this Article to adopt, amend or repeal by-laws, and except as otherwise provided by law or by the articles of incorporation, by-laws, other than a by-law or amendment thereof changing the authorized maximum or minimum number of directors, may be adopted, amended or repealed by the affirmative vote of at least 66-2/3% of the directors of the corporation, which shall include the affirmative vote of at least one director of each class of the board of directors if the board shall then be divided into classes.

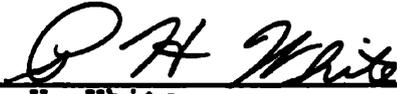
CERTIFICATE OF ASSISTANT SECRETARY

I, the undersigned, hereby certify:

1. That I am a duly elected, acting and qualified Assistant Secretary of PacTel Corporation, a California corporation; and

2. That the foregoing by-laws constitute the by-laws of such corporation as duly adopted by action of the board of directors of the corporation duly taken on September 23, 1993.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this 27th day of September, 1993.



P. H. White
Assistant Secretary

SEPARATION AGREEMENT

between

PACIFIC TELESIS GROUP

and

PACTEL CORPORATION

OCTOBER 7, 1993

SEPARATION AGREEMENT

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SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT, effective October 7, 1993, is between PACIFIC TELESIS GROUP, a Nevada corporation ("Telesis"), on behalf of the Telesis Group (defined below) and PACTEL CORPORATION, a California corporation ("PacTel"), on behalf of the PacTel Group (defined below).

WHEREAS, Telesis, a publicly held corporation whose stock is traded on the New York Stock Exchange, owns 100% of the common stock of each of its three principal first tier subsidiaries, Pacific Bell, Nevada Bell and PacTel; and

WHEREAS, the Telesis Board of Directors has unanimously determined, by a resolution dated December 11, 1992, that Telesis' shareholders will benefit by the separation of the ownership of PacTel's wireless cellular, paging and vehicle location businesses from Telesis' other businesses; and

WHEREAS, in accordance with that resolution, Telesis will distribute to Telesis' shareholders all of the outstanding stock of PacTel owned by Telesis and thereby sever the ownership relationship that currently exists between Telesis and PacTel in an effort to (1) improve the regulatory conditions under which both Telesis and PacTel and their respective affiliates currently operate as a result of their common ownership, (2) provide both Telesis and PacTel with greater access to capital markets, and (3) enhance the aggregate value of the investment of Telesis' current shareholders in Telesis by separating the two principal lines of Telesis' business (i.e., the wireline businesses

operated by Pacific Bell and Nevada Bell and the wireless businesses operated by PacTel) into two separate and independent publicly traded corporations, each offering investors a clear opportunity to invest in a different segment of the telecommunications business that matches their investment objectives; and

WHEREAS, it is necessary and appropriate that certain rights and obligations of the Parties related to employee benefits, tax sharing, intellectual property, contingent liabilities, administrative services, assets and liabilities, termination of agreements, insurance, corporate business opportunities and other matters affected by the separation of the ownership of PacTel from Telesis be established by written contract between the Parties;

THEREFORE, the Parties, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS

The following terms and other terms defined in this Agreement have the meanings set forth herein unless the context indicates otherwise. Words importing persons include corporations. Words importing only the singular include the plural and vice versa where the context requires.

1.1 Affiliate Transactions Policy means Telesis' "Affiliate Transactions - Policies, Guidelines and Reporting

Requirements" as effective January 1988 and as amended from time to time.

1.2 Affiliates means any subsidiaries or other entities that control, are controlled by, or are under common control with either Telesis or PacTel, respectively. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

1.3 Agreement means this Separation Agreement, including all of the Appendixes hereto.

1.4 Appendixes means Appendix A (Employee Benefits Allocation), Appendix B (Tax Sharing), Appendix C (Intellectual Property), Appendix D (Contingent Liabilities), Appendix E (Telesis Technologies Laboratory, Inc.), Appendix F (Administrative Services), Appendix G (Assignment of Assets and Liabilities), Appendix H (Termination of Agreements), Appendix I (Insurance) and Appendix J (Corporate Business Opportunities) which are a part of this Agreement. The provisions of this Agreement shall apply to each of the Appendixes as if fully set forth in such Appendix.

1.5 Distribution means the distribution by Telesis to its shareholders of all of the outstanding stock of PacTel owned by Telesis on the Separation Date.

1.6 Holding Company Cost Allocation Policies and Guidelines means Telesis' methodology for allocating costs to its

subsidiaries as of the date of this Agreement and as amended from time to time.

1.7 Information means information, whether patentable or copyrightable, in written, oral or other tangible or intangible forms, including but not limited to studies, reports, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information.

1.8 PacTel Group means PacTel Corporation (or its successor) and its Affiliates immediately after the Separation (including but not limited to the entities which have been known prior to the Separation as PacTel Cellular, PacTel Paging, Pacific Telesis International and PacTel Services, including PacTel Services' subsidiaries Location Technologies, Inc., PacTel Teletrac International and PacTel Teletrac).

1.9 Party collectively means the entities which are members of either the PacTel Group or the Telesis Group, as the case may be.

1.10 Proprietary Information means any Information which is a "trade secret" as defined in California Civil Code Section 3426.1(d), as it may be amended from time to time, and which if

in a tangible form is clearly marked or otherwise indicated as being confidential or proprietary.

1.11 Record Retention Policy means Telesis' "Record Retention Policy," as effective August 1, 1988, and as amended from time to time.

1.12 Separation means the total and complete separation of the ownership of PacTel from Telesis that will occur at the Distribution.

1.13 Separation Date means the date on which the Distribution and the Separation occur.

1.14 Subsidiary means any entity that is controlled by the entity in question. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

1.15 Telesis Group means Pacific Telesis Group (or its successor) and its Affiliates immediately after the Separation (including but not limited to the entities which have been known prior to the Separation as Pacific Bell, Nevada Bell, Pacific Bell Directory, Pacific Bell Information Services, PacTel Capital Resources, PacTel Capital Funding, PacTel Re Insurance Company, Inc., Pacific Telesis Group - Washington, Telesis Technologies Laboratory, Inc., PacTel Finance, PacTel Communications, PacTel Properties and PacTel Cable).

ARTICLE II

SEPARATION

2.1 Separation. The Separation shall be accomplished by the Distribution to Telesis' shareholders of all of the outstanding stock of PacTel owned by Telesis on the Separation Date. The Separation is contingent on Telesis' (a) obtaining all necessary regulatory and tax reviews in a form satisfactory to Telesis and (b) determining that adequate equity financing is available for PacTel. If Telesis either (a) has not obtained such reviews or (b) determines that such adequate equity financing is not available for PacTel, the Parties may, by mutual agreement, terminate this Agreement.

2.2 Cooperation. Each Party agrees to cooperate with the other Party, both before and after the Separation Date, to enable both Parties to implement the Separation, including but not limited to performing the obligations undertaken by the Parties under this Agreement. Such cooperation will include but is not limited to preparing and submitting required financial reports after the Separation Date which may relate to periods either before or after the Separation Date and executing such documents and doing such other acts or things as may be necessary to carry out the intent of this Agreement.

2.3 Corporate Authority. Each Party represents, warrants and covenants that it has taken or will take, as appropriate, all necessary corporate actions to approve all actions required on its part to implement the Separation, including but not limited to (a) the approval by its Board of

Directors of the terms of this Agreement, (b) the performance of such Party's obligations under this Agreement, and (c) the making of all registrations and filings and the undertaking of any other actions, whether before or after the Separation Date.

2.4 Effective Date. When executed by both Telesis and PacTel, this Agreement shall be effective and binding on the Parties. The Separation shall be effective on the Separation Date.

2.5 Conflict with Other Agreements. Each Party represents and warrants that none of the actions that it has taken or will take, including but not limited to the declaration and payment of dividends or other distributions in connection with the implementation of the Separation and the performance of its obligations under this Agreement, will violate either (a) the terms, conditions or provisions of its articles or certificate of incorporation or by-laws or of any agreement, indenture or other instrument to which it is a party or by which any of its assets are bound, or (b) the applicable legal requirements of any governmental authority having jurisdiction over such Party.

ARTICLE III

EXCHANGE OF INFORMATION

3.1 Agreement for Exchange of Information. Each Party agrees to provide to the other Party, at any time before or after the Separation Date, on written request and on a reasonable schedule to be agreed on by the Parties, any Information in the possession or under the control of a Party which the requesting

Party reasonably needs (a) to comply with reporting, filing or other requirements imposed on the requesting Party by a federal, state or local judicial, regulatory, administrative or taxing authority having jurisdiction over the requesting Party, (b) for use in any other judicial, regulatory, administrative or tax proceeding in which the requesting Party is involved, or (c) to enable the requesting Party to implement the Separation, including but not limited to performing its obligations under this Agreement.

3.2 Ownership of Information. Any Information owned by the Party that is provided to the requesting Party pursuant to Section 3.1 shall be deemed to remain the property of the providing Party. Nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

3.3 Compensation for Providing Information. The Party requesting such Information agrees to reimburse the other Party for the reasonable costs, if any, of creating, gathering and copying such Information, to the extent that such costs are incurred for the benefit of the requesting Party. Except as may be otherwise specifically provided elsewhere in this Agreement or in any other agreement between the Parties, such costs shall be computed in accordance with the providing Party's standard methodology and procedures.

3.4 Record Retention. To facilitate the possible exchange of Information pursuant to this Article III and other provisions of this Agreement after the Separation Date, the

Parties agree to use their best efforts to comply with Telesis' Record Retention Policy with respect to all Information in their respective possession or control on the Separation Date. Neither Party will destroy any Information which the other Party may have the right to obtain pursuant to this Agreement prior to the expiration of the applicable retention period specified in such Record Retention Policy without first using its best efforts to notify the other Party of the proposed destruction and giving the other Party the opportunity to take possession of such Information prior to such destruction.

3.5 Limitation of Liability. No Party shall have any liability to the other Party in the event that any Information exchanged or provided pursuant to this Agreement which is an estimate or forecast, or which is based on an estimate or forecast, is found to be inaccurate, in the absence of willful misconduct by the Party providing such Information.

3.6 Other Agreements Providing for Exchange of Information. The rights and obligations granted under this Article III are in addition to, and do not supersede, abridge or modify, any rights and obligations relating to the exchange of Information which are set forth elsewhere in this Agreement.

ARTICLE IV

PROTECTION OF PROPRIETARY INFORMATION

4.1 General. The provisions of this Article IV shall apply to any Proprietary Information of one Party (the "Disclosing Party"), that is provided pursuant to this Agreement

or otherwise disclosed to the other Party (the "Receiving Party") in connection with the implementation of the Separation, whether before or after the Separation Date; provided, however, that notwithstanding any other provision of this Article IV, there shall be excluded from Information subject to this Article IV any information that is more specifically covered elsewhere in this Agreement or in any other agreement between the Parties that is specifically intended to survive the Separation (including any agreement entered into after the date of this Agreement).

4.2 Obligations of Receiving Party. With respect to such Proprietary Information, the Receiving Party shall:

a. hold such Information in confidence with the same degree of care with which the Receiving Party protects its own confidential and proprietary information;

b. restrict disclosure of the Information solely to its employees, agents and contractors with a need to know such Information and advise those persons of their obligations hereunder with respect to such Information;

c. use the Information only as needed for the purposes contemplated by this Agreement;

d. except for the purposes contemplated by this Agreement, not copy or otherwise duplicate such Information or knowingly allow anyone else to copy or otherwise duplicate such Information; and

e. on request and when such Information is no longer needed for purposes of this Agreement, promptly either return to the other Party all Information in a tangible form or

certify to the Disclosing Party that it has destroyed such Information.

4.3 Limitations on Obligations of Receiving Party. The Receiving Party shall have no obligation to preserve the confidential or proprietary nature of any Information which:

a. was previously known to the Receiving Party free of any obligation to keep it confidential at the time of its disclosure as evidenced by the Receiving Party's written records prepared prior to such disclosure; or

b. is or becomes publicly known through no wrongful act of the Receiving Party; or

c. is rightfully received from a third person having no direct or indirect secrecy or confidentiality obligation to the Disclosing Party with respect to such Information; or

d. is independently developed by an employee, agent or contractor of the Receiving Party who did not have any direct or indirect access to the Information; or

e. is disclosed to a third person by the Disclosing Party without similar restrictions on such third person's rights; or

f. is approved for release by written authorization of the Disclosing Party.

4.4 Protective Arrangements. The Receiving Party agrees to notify the Disclosing Party of any demands to disclose or provide Proprietary Information of the Disclosing Party under lawful process prior to disclosing or providing such Information

and agrees to cooperate in seeking any reasonable protective arrangements requested by the Disclosing Party. The Receiving Party may disclose or provide Proprietary Information of the Disclosing Party requested by a judicial, administrative or regulatory authority having jurisdiction over the Receiving Party, provided that (a) the Receiving Party uses its best efforts to obtain protective arrangements satisfactory to the Disclosing Party, and (b) the Disclosing Party may not unreasonably withhold approval of such protective arrangements.

4.5 Duration of Obligations. All obligations under this Agreement with respect to Proprietary Information shall survive the Separation.

ARTICLE V

MUTUAL RELEASES

5.1 Release of Pre-Separation Liabilities. Each Party does hereby for itself, its Affiliates, successors and assigns, remise, release and forever discharge the other Party, its Affiliates, successors and assigns and all persons who at any time prior to the Separation Date have been shareholders, directors, officers, agents or employees of the other Party or its Affiliates, and their heirs, executors, administrators and assigns, from any and all claims, debts, demands, actions, causes of action, suits, sum or sums of money, accounts, reckonings, bonds, specialties, indemnities, exonerations, covenants, contracts, controversies, agreements, promises, doings, omissions, variances, damages, executions and liabilities

whatsoever (collectively, "Liability"), both-at law and in equity, arising from any events on or before the Separation Date, including the transactions and all other activities to implement the Separation; provided, however, that nothing in this Section 5.1 shall release any Party from (a) any Liability, contingent or otherwise, transferred, assigned or allocated in accordance with this Agreement including but not limited to the liabilities covered by Appendix A (Employee Benefits Allocation), Appendix B (Tax Sharing), Appendix D (Contingent Liabilities) and Appendix G (Assignment of Assets and Liabilities), or (b) any Liability provided in or resulting from this Agreement or any agreement between the Parties not terminated pursuant to this Agreement or any other agreement between the Parties that is specifically intended to survive the Separation, or (c) any Liability for unpaid amounts for the sale, lease, construction or receipt of goods, property or services purchased, obtained or used by it in the ordinary course of business prior to the Separation Date, or (d) any Liability for unpaid amounts for products or services or refunds owing on products or services due on a value-received basis for work done at any Party's request or done on such Party's behalf, or (e) any Liability that the Parties may have with respect to indemnification or contribution for claims brought against the Parties by third persons, which Liability shall be governed by the provisions of Appendix A (Employee Benefits Allocation), Appendix B (Tax Sharing) and Appendix C (Contingent Liabilities), or (f) any Liability the release of which would result in the release of any person other than a

person released pursuant to this Section 5.1; provided, however, that the Parties agree not to bring suit against any person with respect to any Liability that would be released by this Section 5.1 but for the provisions of this clause (f).

5.2 Civil Code Section 1542. Each Party expressly waives any right or benefit available to it in any capacity under the provisions of Section 1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must be materially affected his settlement with the debtor.

ARTICLE VI

COMPENSATION

Unless otherwise expressly provided elsewhere in this Agreement or by another written agreement between the Parties, all compensation payable by one Party to the other Party under this Agreement shall be computed in accordance with either Telesis' Affiliate Transactions - Policies, Guidelines and Reporting Requirements or the Holding Company Cost Allocation Methodology, whichever is applicable.

ARTICLE VII

ARBITRATION

7.1 Agreement to Arbitrate. The Parties will use their respective best efforts to resolve by informal means any claim or controversy (collectively, "Dispute"), whether arising before or after the Separation Date, that relates to the Separation,

including but not limited to any Disputes concerning the interpretation of this Agreement. If despite such best efforts the Parties are unable to resolve a Dispute by such informal means, the Parties agree to submit the Dispute to arbitration under the provisions of this Article VII.

7.2 Arbitration. In the case of any Dispute subject to arbitration under this Article VII, a Party may demand in writing that the Dispute be resolved by binding arbitration. On such demand, the Dispute shall be decided by arbitrators in accordance with the rules set forth in this Article VII and the provisions of any applicable agreement between the Parties, including provisions relating to the choice of applicable law. The award rendered by the arbitrators shall be final, and judgment may be entered on it in accordance with applicable law in any court having jurisdiction over this Agreement. It is understood that the arbitration provisions of this Article VII shall be the sole remedies of the Parties under this Agreement with respect to Disputes relating to the Separation, including but not limited to any Disputes concerning the interpretation of this Agreement.

7.3 Demand for Arbitration. The Party demanding the arbitration shall give notice of the demand for arbitration to the other Party. The demand for arbitration must be made within one year after the date on which the Party making the demand for arbitration became aware of the event which gave rise to the Dispute, and in no event may a claim be asserted if such a demand has not been filed within such one year period.

7.4 Arbitrators. Unless otherwise agreed to in writing by the Parties, each Party shall designate an arbitrator within twenty business days after the demand for arbitration. If either Party fails to appoint an arbitrator within such time period, the other Party may apply to any court having jurisdiction over this Agreement to compel arbitration, and that court shall be empowered to select the failing Party's arbitrator. The two designated arbitrators shall then select a third arbitrator to complete the full arbitration panel within ten business days, or as otherwise agreed. If the arbitrators selected by each Party cannot agree on a third arbitrator within the applicable time limits, either Party may apply to any court having jurisdiction over this Agreement to select the third arbitrator, and that court shall be empowered to select the third arbitrator.

7.5 Discovery. A Party may submit a reasonable number of document production requests to the other Party in connection with an arbitration. In addition, a Party may take a reasonable number of depositions of the other Party in connection with an arbitration. Disputes concerning the scope and enforcement of the discovery requests shall be subject to agreement by the Parties or may be resolved by the arbitrators. All discovery requests shall be subject to the proprietary rights and rights of privilege of the Parties, and the arbitrators shall adopt reasonable procedures to protect such rights.

7.6 Hearings. The arbitration panel shall commence hearings within 60 days after the selection of the panel, unless the Parties or the arbitration panel agree on a delayed schedule

of hearings. Except where contrary to the provisions set forth in this Agreement, the rules of the American Arbitration Association ("AAA") for commercial arbitration shall be applied to all matters of procedure, including discovery; provided, however, that the arbitration shall not be conducted under the auspices of the AAA and the fee schedule of the AAA shall not necessarily apply. The arbitrators may obtain independent legal counsel to aid in their resolution of legal questions presented in the course of arbitration to the extent they consider that such counsel is necessary to the fair resolution of the Dispute and to the extent that it is economical to do so considering the financial consequences of the Dispute. If any Party fails or refuses to appear at and participate in an arbitration hearing after due notice, the arbitration panel may hear and determine the controversy on evidence produced by the appearing Party.

7.7 Arbitration Costs. The arbitration costs shall be borne equally by each Party, except that each Party shall be responsible for its own expenses and the costs of the arbitrator selected by it.

7.8 Continuing Performance. Unless otherwise agreed in writing, the Parties shall continue to perform all obligations and make all payments due under this Agreement in accordance with this Agreement during the course of any arbitration pursuant to the provisions of this Article VII. The obligations of the Parties to continue performance and make payments despite the existence of a Dispute shall be enforceable by any Party by application to any court having jurisdiction over this Agreement

for an injunctive order requiring the immediate performance of such obligations as provided in the preceding sentence until such time as the Dispute is resolved as provided in this Article VII.

ARTICLE VIII

POST-SEPARATION TRUE-UPS

8.1 The Parties recognize that it may be necessary to estimate the value as of the Separation Date of some Assets or liabilities being assigned or transferred under this Agreement. When these amounts become certain, the Parties will make a true-up of the original assignment or transfer. The Parties also recognize that errors or omissions may be made in the initial assignment or transfer of Assets and liabilities. When any such errors are discovered, the Parties will make a true-up of the original assignment or transfer.

8.2 In addition, the Parties agree that after the Separation Date it will be necessary to settle certain accounts or other financial transactions between the Parties which relate to periods prior to the Separation Date and which are not specifically addressed elsewhere in this Agreement. As the amount of such settlements become known, the Parties will, at appropriate times, make true-ups of such accounts or other financial transactions.

8.3 Except as the Parties may otherwise agree, the true-ups described in Sections 8.1 and 8.2 will be limited to items as to which the Party requesting the true-up notifies the other Party in writing within one year after the Separation

Date. True-ups made after the Separation Date will be settled in cash.

8.4 Following one year after the Separation Date, any additional true-ups may be negotiated by the Parties.

ARTICLE IX

MISCELLANEOUS

9.1 Publicity. Neither Party shall refer to the post-Separation plans or business activities of the other Party in publicity releases, or in any similar external communications, without first securing the prior written approval of such other Party. After the Separation, neither Party shall express or imply the other Party's sponsorship or endorsement of a particular position or view in any external communication without first securing the prior written approval of such other Party.

9.2 Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California, irrespective of the choice of laws principles of the State of California.

9.3 Assignability. Neither Party shall assign its rights or delegate its duties under this Agreement without the written consent of the other Party. Any attempted assignment or delegation in contravention of this provision shall be void.

9.4 Third Party Beneficiaries. Except as otherwise expressly provided in this Agreement, the provisions of this Agreement are for the benefit of the Parties and not for any other person. This Agreement shall not provide any third person

with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

9.5 Notices. All notices or other communications under this Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person, or (b) sent by FAX, cable, telegram or telex, or (c) deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

If to Telesis, to: General Counsel
Pacific Telesis Group
130 Kearny Street, Room 3713
San Francisco, CA 94108

If to PacTel, to: General Counsel
PacTel Corporation
2999 Oak Road, MS 800
Walnut Creek, CA 94596

Either Party may, by notice to the other Party, change the address to which such notices are to be given.

9.6 Severability. Any provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining provisions of this Agreement or affecting the validity or enforceability of any of the provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

9.7 Force Majeure. Neither Party shall be deemed in default of this Agreement to the extent that any delay or failure

in the performance of its obligations under this Agreement results from any cause beyond its reasonable control and without its fault or negligence, such as acts of God, acts of civil or military authority, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions or labor problems. In the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay.

9.8 Headings. The article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

9.9 Survival of Covenants. The covenants and representations contained in this Agreement, and liability for the breach of any obligations contained herein, shall survive the Separation.

9.10 Waivers of Default. Waiver by any Party of any default by the other Party shall not be deemed a waiver by the waiving Party of any other default, nor shall it prejudice the rights of the other Party.

9.11 Binding Nature. This Agreement shall be binding on, and inure to the benefit of, the Parties and their respective Affiliates, successors and assigns.

9.12 Authority. Each Party represents and warrants that the officer executing this Agreement on its behalf is duly authorized to so execute this Agreement on behalf of the Telesis Group or the Pactel Group, as the case may be.

9.13 Amendments. No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by either Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

9.14 Entire Agreement. This Agreement sets forth the entire agreement of the Parties with respect to the subject matter thereof and supersedes all prior agreements, writings, communications, negotiations, discussions and understandings.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

PACIFIC TELESIS GROUP

PACTEL CORPORATION

By: [Signature]

By: [Signature]

Title: Group President

Title: President & CEO

Date Signed: ~~September~~ October 7, 1993 1993

Date Signed: September 27, 1993

Appendix A Follows)

TAX SHARING

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TAX SHARING

SECTION 1 - DEFINITIONS

The following terms and other terms defined in this Appendix and elsewhere in this Agreement have the meanings set forth herein unless the context indicates otherwise. Words importing persons include corporations. Words importing only the singular include the plural and vice versa where the context requires.

1.1 Code means the Internal Revenue Code of 1986, as amended.

1.2 Combined return means any combined or consolidated return or report used in the determination of a state income tax liability.

1.3 IRS means the United States Internal Revenue Service.

1.4 State income tax means any state income tax or franchise tax determined on the basis of net income.

1.5 Taxable year means the year on the basis of which taxable income is computed.

1.6 Treasury means the United States Department of the Treasury.

SECTION 2 - TAX ALLOCATION

2.1 Tax Allocation Principles.

2.1.1 Allocation and Payment. The Parties agree to allocate and pay their respective shares of federal and state

income taxes as provided in this Appendix. Payments to tax authorities and between the Parties, as the case may be, shall be made in accordance with such tax allocations.

2.1.2 Federal Income Taxes. For each taxable period ending before or including the Separation Date for which Telesis filed or will file a consolidated federal income tax return which includes the PacTel Group, the consolidated return group's federal income tax liability (including refunds and deficiencies) shall be allocated between the Telesis Group and the PacTel Group in accordance with Treasury Regulations sections 1.1552-1(a)(1) and 1.1502-33(d)(2)(ii). The fixed percentage under Treasury Regulations section 1.1502-33(d)(2)(ii)(b) shall be 100 percent.

2.1.3 State Income Taxes. For each taxable period (or portion thereof) beginning after 1991 and ending before or including the Separation Date for which the liability of the members of the Telesis Group and the PacTel Group is determined on a combined return basis which includes members of both the Telesis Group and the PacTel Group, the Groups' state income tax liability in a particular state shall be allocated between the Telesis Group and the PacTel Group as follows:

2.1.3.1 Each Group shall be treated as a separate taxpayer.

2.1.3.2 If both Groups have positive taxable income for a period, then the actual tax liability of the Groups shall be allocated between the Groups in proportion to each

Group's state taxable income (after apportionment to the state as if each Group were a separate taxpayer).

2.1.3.3 If one Group has taxable income and the other Group has a taxable loss for a period in which the combined Groups have a positive tax liability, then the actual tax liability of the combined Groups shall be allocated to the profitable Group. In addition, that profitable Group shall pay to the other Group an amount equal to lesser of (a) the product of the other Group's taxable loss and the statutory tax rate, or (b) the excess of the profitable Group's stand-alone tax liability over the actual combined tax liability of the Groups.

2.1.3.4 Refunds and deficiencies for any year (including years beginning before 1992) shall be allocated in the same manner as the tax liability and benefits for that year were allocated. Payments between the Parties for tax liabilities and benefits shall be made to reflect a reallocation of tax liabilities or benefits for that year due to payment of a deficiency or receipt of a refund. Such payments shall be made within 15 days after payment of a deficiency or receipt of a refund for that taxable year.

2.1.4 Tax Attributes. Tax attributes determined on a consolidated basis for years ending before or including the Separation Date shall be allocated to members of the Telesis Group and the PacTel Group in accordance with the Code and Treasury Regulations (and any applicable state law or regulation). Telesis and PacTel shall jointly determine the amounts of such attributes as of the Separation Date and hereby

agree to compute their tax liabilities for taxable years after the Separation Date consistently with that determination.

2.2 Taxable Year of Separation.

2.2.1 Federal Taxes. For the federal taxable year which includes the Separation Date, PacTel shall timely pay to Telesis an amount equal to the allocable federal income tax liability of the members of the PacTel Group determined under Section 2.1.1, including the PacTel Group's share of estimated taxes. Telesis shall be responsible for the payment to the IRS of the federal income tax liability of the Telesis consolidated return group (including both the Telesis Group and the PacTel Group) for the taxable year which includes the Separation Date. Telesis shall pay to PacTel the net amount, if any, that would be credited to the earnings and profits of the members of the PacTel Group under Treasury Regulations section 1.1502-33(d)(2)(ii)(b).

2.2.2 State Income Taxes. For any taxable period which includes the Separation Date and for which a state income tax of Telesis or PacTel or any of their Subsidiaries is determined on the basis of a combined return which includes members of both Groups, Telesis shall be responsible for the timely payment of the estimated and total tax liabilities of the combined group to the appropriate tax authority. PacTel shall timely pay to Telesis the amount of taxes (including estimated taxes), if any, allocated to PacTel under Section 2.1.3. Telesis shall pay to PacTel the amount, if any, of the net tax benefit accruing to the Telesis Group from the inclusion of members of

the PacTel Group in the combined return,-as determined under Section 2.1.3.

2.2.3 Thirty Day Election. In the event that the Separation Date is after, but within 30 days of, the last day of Telesis' taxable year, no member of the PacTel Group shall elect under Treasury Regulations section 1.1502-76(b)(5) not to be considered a member of the Telesis consolidated return group unless Telesis specifically agrees in writing to such an election.

SECTION 3 - ADJUSTMENTS TO TAX LIABILITY

3.1 Tax-Timing Adjustments. To the extent that any portion of an amount allocated under Section 2.1.2 or Section 2.1.3 relates to a tax-timing adjustment, that portion of the liability (or benefit) shall be allocated to the entity that will receive the benefit (or detriment) of that tax-timing adjustment. A "tax-timing adjustment" is any adjustment to income in one taxable year which will result in an offsetting adjustment or adjustments (including an adjustment to the basis of an asset not eligible for depreciation or amortization) in one or more subsequent taxable years. For purposes of this Appendix, the fact that the period or periods in which offsetting adjustments will arise is unknown or not determinable shall not be taken into account.

3.2 Carrybacks. The carryback of net operating losses and net capital losses for any taxable year ending after the Separation Date shall be in accordance with the provisions of the

Code and Treasury Regulations (and any applicable state laws or regulations).

3.2.1 Net Capital Losses. The Parties recognize that either Group may realize net capital losses in taxable years beginning after the Separation Date which may be carried back and offset against net capital gains realized in years ending before or including the Separation Date. If a member of one Group (the "First Group") realizes a net capital loss in a taxable year ending after the Separation Date and would be able to realize a tax benefit by carrying back that loss to a taxable year ending before or including the Separation Date and offsetting the loss wholly or partially against net capital gains realized by members of the First Group but for the fact that the other Group (the "Second Group") had previously used those net capital gains to offset net capital losses realized by a member of the Second Group after the Separation Date, then the Second Group shall pay the First Group the amount of the tax benefit that the First Group would have received.

3.3 Penalties, Additions to Tax and Interest.

Penalties, additions to tax and interest on any federal or state income tax deficiencies or overpayments will be allocated as the underlying deficiencies or overpayments are allocated under this Appendix.

3.4 Indemnities. Notwithstanding any other provision in this Agreement to the contrary:

3.4.1 If, as a result of any event occurring in the 24-month period commencing on the Separation Date and

involving either the stock or assets (or any combination thereof) of any member of the PacTel Group, any taxes are imposed on any member of the Telesis Group with respect to any action taken pursuant to the Plan of Distribution initially adopted by the Telesis Board of Directors on December 18, 1992 (or as amended thereafter), then PacTel shall pay those taxes (and interest and penalties, if any) and shall indemnify and hold harmless each member of the Telesis Group from and against all such taxes, interest, and penalties, including but not limited to any such taxes paid at any time by any Telesis Group member. PacTel shall make such payment and indemnification promptly, but in any event no later than 15 days after written notice from Telesis, which notice shall be accompanied by a computation of the amounts due.

3.4.2 If any taxes are imposed on any PacTel Group member as a result of any action taken pursuant to the Plan of Distribution initially adopted by the Telesis Board of Directors on December 18, 1992 (or as amended thereafter), then, to the extent those taxes are not related to stock or assets owned by a PacTel Group member after the Separation and are not a result of an event occurring in the 24-month period commencing on the Separation Date and involving either the stock or assets (or any combination thereof) of any member of the PacTel Group, then Telesis, and not PacTel, shall pay those taxes (and interest and penalties, if any) and shall indemnify and hold harmless each member of the PacTel Group from and against all such taxes, interest, and penalties, including but not limited to any such taxes paid at any time by any PacTel Group member. Telesis shall

make such payment and indemnification promptly, but in any event no later than 15 days after written notice from PacTel, which notice shall be accompanied by a computation of the amounts due.

SECTION 4 - PREPARATION AND FILING OF RETURNS

4.1 Federal Returns. Each Party agrees to cooperate with the other Party by making available all instructions, workpapers, records, data and notes of any kind for the purpose of allowing Telesis, as agent for the consolidated return group, to complete the filing of the federal consolidated income tax return for the taxable year which includes the Separation Date.

4.2 State Returns. Each Party agrees to cooperate with the other Party by making available all instructions, workpapers, records, data and notes of any kind for the purpose of allowing Telesis and PacTel to complete the filing of any state income tax returns which must be filed on the basis of a combined return for the taxable year which includes the Separation Date. Any state income tax return required to be filed on a separate entity basis shall be prepared and filed by the entity required by law to file the return.

SECTION 5 - AUDITS, ADJUSTMENTS AND REFUND CLAIMS

5.1 Federal Audits and Adjustments.

5.1.1 Notification of Audit. Telesis shall notify PacTel in writing of any audit of the federal consolidated income tax return for any taxable period ending before or including the Separation Date within ten business days after

Telesis' receipt of written notification of such audit from the IRS. Telesis shall include in its notice to PacTel a copy of the notification received from the IRS.

5.1.2 Statute of Limitations. After consultation with PacTel, Telesis shall have sole authority, as agent for the consolidated return group, to enter into agreements extending the statute of limitations for any taxable period ending before or including the Separation Date for which a consolidated return was or will be filed. Telesis shall notify PacTel within ten business days after receipt of any request from the IRS for such an agreement.

5.1.3 Audit Activity. Each Party will coordinate its respective efforts with respect to audits of periods through and including the Separation Date and will furnish the other Party with all necessary workpapers and records to respond to audit inquiries. Telesis will be responsible as agent for the consolidated return group for day-to-day contact with IRS agents assigned to such audits, but PacTel will be responsible, to the extent possible, for responding to audit inquiries regarding issues primarily affecting tax liabilities of the PacTel Group.

5.1.4 On-Site Audits. Any Party which is audited "on-site" by the IRS shall provide monthly written reports to the other Party detailing significant on-site activities, information requests, issues raised or resolved, and any other relevant information which may affect the other Party.

5.1.5 Proposed Adjustments. Telesis shall notify PacTel of any proposed adjustment to Telesis federal consolidated

group returns which include any member of the PacTel Group within ten business days after receipt of official notification of adjustments (e.g., a notice of proposed adjustment or statutory notice of deficiency) from the IRS. Telesis shall include in its notice to PacTel a copy of the notification received from the IRS.

5.1.5.1 Agreed Issues. Telesis will not enter into any agreement as agent for the consolidated return group with the IRS with respect to any proposed adjustment without the written consent of PacTel if members of the PacTel Group would collectively be liable for more than 50% of the proposed tax liability (as allocated under this Appendix) at issue. For purposes of this paragraph, the determination of more than 50% tax liability shall be made on an issue-by-issue basis.

5.1.5.2 Unagreed Issues. Telesis, as agent for the consolidated return group, shall make the initial recommendation regarding the procedures and preferred forum for contesting tax deficiencies on unagreed issues. In the event of disagreement between Telesis and PacTel, a written request by PacTel to pursue a different course than that recommended by Telesis shall be controlling if the PacTel Group is liable for more than 50% of the tax liability. For purposes of this paragraph, the determination of more than 50% of tax liability shall be made on the basis of the cumulative potential liability from all unagreed issues for any taxable year.

5.1.5.3 Consent Not Required.

Notwithstanding any other provision of this Appendix, if the IRS

notifies Telesis that the IRS will deal directly with a member of the PacTel Group with respect to its liability, PacTel shall have full authority to act for that member and resolve any issue affecting only its liability without the consent of Telesis.

5.1.6 Federal Refund Claims. If any member of the PacTel Group desires to file a claim for refund with respect to a taxable year for which it was a member of the Telesis consolidated return group, it shall prepare and submit to Telesis the claim for refund and a statement specifying the date on which the statute of limitations for filing the refund claim will expire. Telesis will file the refund claim prior to the date specified by the member of the PacTel Group as the last day to claim the refund if such a filing is feasible after receipt of the member of the PacTel Group's refund claim and will take any other appropriate action at PacTel's request necessary to secure the refund. Telesis shall pay the refund to PacTel on receipt of the refund from the IRS.

5.1.7 Litigation. Telesis, as agent for the consolidated return group, will have nominal responsibility for representing the group before the IRS Appeals Office or in any court proceeding to determine the group's tax liability or refund claim. Any matters which must be decided for an entire case, rather than on an issue-by-issue basis (e.g., preferred forum and case procedures) shall be decided by the Group that would be allocated more than 50% of the total liability (or refund) in the case. Representatives from the PacTel Group will have the opportunity to participate in these proceedings and, to the

extent possible, will have the primary responsibility for issues on which the PacTel Group is liable for more than 50% of the tax liability.

5.2 Audits and Adjustments Related to State Income Tax Combined Returns.

5.2.1 Notification of Audit. Each Group shall give written notice to the other Group of any audit of a state income tax return for any taxable period ending before or including the Separation Date within ten business days after written notification of such audit from the appropriate state agency. Such notices between Telesis and PacTel shall include copies of relevant notices received from state tax agencies.

5.2.2 Statute of Limitations. Any member of the Telesis Group or the PacTel Group shall have the authority to agree to extend the statute of limitations with respect to that member's return filed for any taxable period ending before or including the Separation Date. Any member which proposes to enter into such an agreement shall notify Telesis and PacTel no later than 10 days before such action.

5.2.3 Audit Activity. Telesis shall coordinate efforts with respect to audits of taxable years involving members of both the Telesis Group and the PacTel Group, and each Party will furnish the necessary workpapers and records to respond to audit inquiries.

5.2.3.1 On-Site Audits. Any Party which is audited "on-site" by a state tax authority shall provide monthly written reports to the other Party detailing significant

on-site activities, information requests, issues raised or resolved, and any other relevant information which may affect the other Party.

5.2.4 Proposed Adjustments. Each Party shall give written notice to the other Party of proposed adjustments to any item affecting a combined return on which a filed return was based for any year ending before or including the Separation Date. Such notices shall include copies of relevant notices received from state tax agencies.

5.2.4.1 Agreed Issues. No member of the Telesis Group or the PacTel Group will enter into any agreement with respect to any proposed adjustment without the written consent of the members of the combined group which would collectively be liable for more than 50% of the proposed tax liability (as allocated under this Appendix) at issue. For purposes of this paragraph, the determination of more than 50% tax liability shall be made on an issue-by-issue basis.

5.2.4.2 Unagreed Issues. Telesis, as agent for the combined return group, shall make the initial recommendation regarding the procedures and preferred forum for contesting tax deficiencies on unagreed issues. In the event of disagreement between Telesis and PacTel, a written request by PacTel to pursue a different course than that recommended by Telesis shall be controlling if the PacTel Group is liable for more than 50% of the tax liability. For purposes of this paragraph, the determination of more than 50% of tax liability

shall be made on the basis of the cumulative potential liability from all unagreed issues for any taxable year.

5.2.5 State Refund Claims. If any member of the PacTel Group desires to file a claim for refund with respect to a taxable year for which it filed a state tax return based on a combined return which included members of the Telesis Group, it shall prepare and submit to Telesis the claim for refund and a statement specifying the date on which the statute of limitations for filing the refund claim will expire. Telesis will file the refund claim prior to the date specified by the member of the PacTel Group as the last day to claim the refund if such a filing is feasible after receipt of the member of the PacTel Group's refund claim. Telesis shall pay the refund to PacTel on receipt of the refund from the state tax authority.

5.2.6 State Tax Litigation. With respect to any administrative or judicial proceeding related to an asserted deficiency (or refund claim) for an issue in connection with a state income tax based on a combined return, the Group that would be allocated more than 50% of the deficiency (or refund) under this Agreement will be responsible for representing the Groups with respect to that issue. Any matters which must be decided for an entire case, rather than on an issue-by-issue basis (e.g., preferred forum and case procedures) shall be decided by the Group that would be allocated more than 50% of the total liability (or refund) in the case. If the other Group would share in the liability (or refund) for an issue or issues in the

case, it may participate in the administrative and judicial proceedings with respect to that issue or issues.

5.3 Offsetting Claims.

5.3.1 If a refund claimed by a Party with respect to a taxable year not otherwise open to audit is reduced by an offsetting claim for an income tax deficiency for a taxable year ending before or including the Separation Date, the amount of the offset shall be applied first to the issues of the Party or Parties against whom the offset or reduction is asserted to the extent those issues were allowed in the refund claim(s). To the extent the offset or reduction exceeds such issues, and subject to the provisions of Sections 5.3.2 and 5.3.3, the excess shall be applied proportionately to all other issues allowed in the refund claim(s). Telesis shall remit to PacTel the amount of any refund allowed by a tax authority with respect to PacTel's issues, less any offset allocated to PacTel.

5.3.2 If an offset asserted against a Party exceeds the amount of the refund allowed by the tax authority with respect to the issues of that Party, the Party shall pay to the other Party the lesser of (a) the amount of such excess, or (b) the net future benefit (computed by applying the principles of Section 3.1), if any, resulting from such offset or reduction that was applied to the other Party pursuant to Section 5.3.1.

5.3.3 Each Party shall be solely responsible for bearing any reduction by way of offset or otherwise resulting from (a) a non-income tax deficiency or liability of the Party or (b) any deficiency or liability of the Party in taxable years

beginning after the Separation Date. The amount of such an offset or reduction shall be applied to any remaining refund due the Party after application of the offsets and reductions described in Sections 5.3.1 and 5.3.2. If an offset or reduction described in this paragraph exceeds such remaining refund, the Party against which the offset is asserted shall pay the excess to the other Party.

5.3.4 Any amount owed by a Party pursuant to Section 5.3.2 or Section 5.3.3 shall be paid to the other Party within 15 days after the date the tax authority either pays a refund to which this Appendix applies or officially notifies Telesis that such a refund has been denied because of a complete offset or otherwise.

5.3.5 Within 15 days after the date the tax authority either pays a refund to which this Appendix applies or officially notifies Telesis that such a refund has been denied due to complete offset or otherwise, Telesis shall pay PacTel the amounts due, if any, under Sections 5.3.1, 5.3.2 and 5.3.3.

5.4 Payment of Costs. All costs incurred, whether external or internal (such as in-house tax and legal department salaries and other personnel), with respect to an audit, administrative appeal, litigation, refund claim, or other tax controversy, shall be borne by the Party with respect to which the costs relate. If the matter involves an issue or issues that concern both Telesis and PacTel, then the costs shall be

allocated between them based on their respective shares of the dollar amount involved in the matter.

(Appendix C Follows)

ADMINISTRATIVE SERVICES

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ADMINISTRATIVE SERVICES

SECTION 1 - DEFINITIONS

The following terms and other terms defined in this Appendix and elsewhere in this Agreement have the meanings set forth herein unless the context indicates otherwise. Words importing persons include corporations. Words importing only the singular include the plural and vice versa where the context requires.

1.1 Affiliate Transactions Policy means Telesis' "Affiliate Transactions - Policies, Guidelines and Reporting Requirements," as effective January 1988 and as amended from time to time.

1.2 Holding Company Cost Allocation Policies and Guidelines means Telesis' methodology for allocating costs to its subsidiaries as of the date of this Agreement and as amended from time to time.

1.3 Record Retention Policy means Telesis' "Record Retention Policy," as effective August 1, 1988, and as amended from time to time.

1.4 Services means general administrative services, including but not limited to corporate tax, internal auditing, accounting, legal, external affairs, human resources, treasury, investor relations, risk management, finance and corporate strategy services.

SECTION 2 - SCOPE OF AGREEMENT

2.1 Services.

a. Initial Services.

(1) The Services which Telesis will initially provide to Pactel are the same Services which Telesis is providing to Pactel as of the date of this Agreement.

(2) The Services which Pactel will initially provide to Telesis are the same Services which Pactel is providing to Telesis as of the date of this Agreement.

b. Adding Services. The Parties may, by mutual agreement, add Services to those Services being provided by one Party to the other Party.

c. Deleting Services. The Parties may, by mutual agreement, delete certain of the Services being provided by one Party to the other Party. The Parties recognize that certain Services must, for reasons of corporate uniformity, continue until the Separation Date and cannot be deleted.

d. Regulatory Requirements. Each Party reserves the right, by notice to the other Party, to immediately discontinue providing or receiving any or all Services if such discontinuance is deemed by such Party to be reasonably necessary to comply with the requirements of any regulatory agency or other legal authority having jurisdiction over the Party. In the event of such discontinuance, the Parties shall cooperate to minimize any disruption of the business of either Party during the transition period.

2.2 Transfer of Responsibility. In addition to providing the Services, each Party will, at the request of the other Party and subject to the availability of necessary resources, assist the requesting Party in assuming responsibility for some or all of the Services being performed for the requesting Party. For example, a Party will, at the request of the other Party, provide on-the-job training for the requesting Party's employees or agents who will be assigned to assume responsibility for a Service after the Separation Date. The compensation for such activities will be determined in accordance with Section 4 (Compensation).

2.3 Standard of Conduct. In performing the Services, each Party shall observe the same standards of care, skill and diligence that such Party observes when performing the same or similar services for its own account.

SECTION 3 - TERM

3.1 Term. The term during which the Parties may provide Services to, or receive Services from, each other under this Appendix shall commence on the effective date of this Agreement and end on the Separation Date; provided, however, that the Parties may agree to extend such term to up to 90 days after the Separation Date in order to provide an orderly transition of responsibilities following the Separation Date.

3.2 Cancellation for Cause. In the event of a material breach of this Agreement by a Party, the other Party may, at its option and by notice to the breaching Party, immediately cancel

the performance or receipt of any Services affected by such material breach.

SECTION 4 - COMPENSATION

4.1 **Services Performed by Telesis.** The compensation for each Service provided by Telesis to Pactel hereunder shall be the same compensation, or compensation calculated in the same manner, as the compensation Telesis was charging Pactel and Pactel was paying for the same Service before the effective date of this Agreement in accordance with the Holding Company Cost Allocation Policies and Guidelines.

4.2 **Services Performed by Pactel.** The compensation for each Service provided by Pactel to Telesis hereunder shall be the same compensation, or compensation calculated in the same manner, as the compensation Pactel was charging Telesis and Telesis was paying for the same Service before the date of this Agreement in accordance with the Affiliate Transaction Policy.

4.3 **Changes to Compensation.** By written agreement, the Parties may at any time prospectively change the compensation for any Service.

4.4 **Records.** Each Party shall maintain accurate records of all matters which relate to its obligations hereunder in accordance with the Affiliate Transactions Policy, Holding Company Cost Allocation Policies and Guidelines and the Record Retention Policy. To the extent that such records may be relevant in determining if a Party is complying with its obligations hereunder, the other Party and its authorized

representatives shall, on reasonable prior notice, have access to such records for inspection, copying and audit during normal business hours.

4.5 Invoices and Payment. The Parties shall bill each other for Services performed hereunder in accordance with the Affiliate Transactions Policy and the Holding Company Cost Allocation Policies and Guidelines. Both Parties shall comply with the guidelines for billing and payment, including the assessment of late charges when appropriate, set forth in the Affiliate Transactions Policy and the Holding Company Cost Allocation Policies and Guidelines. Each Party shall maintain the controls, procedures and practices necessary to ensure the accuracy of the charges and compliance with the Affiliate Transactions Policy and the Holding Company Cost Allocation Policies and Guidelines.

(Appendix G Follows)

4/14/93

APPENDIX H

to the

SEPARATION AGREEMENT

between

PACIFIC TELESIS GROUP

and

PACTEL CORPORATION

TERMINATION OF AGREEMENTS

TERMINATION OF AGREEMENTS

TERMINATION OF AGREEMENTS

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TERMINATION OF AGREEMENTS

SECTION 1 - TERMINATION OF AGREEMENTS

1.1 List of Agreements to be Terminated. The Parties agree that all of the agreements between them listed in Exhibit H-1 (List of Agreements to be Terminated) will be terminated effective on and as of the Separation Date. The Parties stipulate that all provisions contained in such agreements relating to their termination have either been complied with or are hereby waived.

1.2 Other Agreements to be Terminated. The Parties agree that any other agreements between them which are not listed in Exhibit H-1 (List of Agreements to be Terminated), but which by their nature and subject matter would not be intended to survive the Separation will also be terminated by agreement of the Parties; provided, however, that any agreement entered into between the Parties in contemplation that such agreement would remain in effect after the Separation shall not be terminated pursuant to this Section 1.2.

1.3 Agreements Not Terminated. Nothing contained herein is intended to terminate or modify any other agreements between the Parties not terminated pursuant to this Appendix, including but not limited to leases, subleases, rights-of-way, easements, license agreements for the placement of cellular or other facilities on the property of the other Party and agreements for telecommunications services provided under tariff. In particular, the agreements listed in Exhibit H-2

(List of Agreements Not Terminated) are not terminated by this Appendix.

1.4 Surviving Obligations. Nothing contained herein shall relieve the Parties of any obligations which they may have under the agreements terminated pursuant to this Appendix with respect to obligations incurred prior to termination or with respect to obligations which the terminated agreements specifically provide shall survive such termination.

(Exhibit H-1 Follows)

EXHIBIT H-1

LIST OF AGREEMENTS TO BE TERMINATED

Pacific Telesis Group Agreements

1. Agreement between Pacific Telesis Group and PacTel Corporation for General Administrative Services, dated October 1, 1990

This agreement superseded an agreement between Pacific Telesis Group and PacTel Services, dated January 1, 1984.
2. Agreement between Pacific Telesis Group - Washington and PacTel Corporation for General Administrative Services, dated January 1, 1989
3. Agreement between Pacific Telesis Group and PacTel Cellular/PacTel Cellular, Inc. for General Administrative Services, dated January 1, 1989
4. Agreement between Pacific Telesis Group and PacTel Communications Systems for General Administrative Services, dated January 1, 1984
5. Agreement between Pacific Telesis Group and PacTel Paging for General Administrative Services dated January 1, 1989
6. Agreement between Pacific Telesis Group and PacTel Mobile Access for General Administrative Services dated January 1, 1984

This agreement was modified on January 1, 1985, to assign all rights, title and interest in and to the agreement from PacTel Mobile Access to PacTel Mobile Companies. PacTel Mobile Companies has been superseded by PacTel Corporation.
7. Agreement between Pacific Telesis Group and Pacific Telesis International for General Administrative Services, dated January 1, 1984

Pacific Bell - PacTel Corporation

8. Agreement between Pacific Bell and PacTel Corporation (formerly known as PacTel Services) for General Administrative Services, effective January 1, 1984, including Amendments Nos. 1, 2 and 3 thereto, and all of the Schedules executed under this Agreement, including but not limited to the following:

Pacific Bell - PacTel Cellular

9. Schedule PC-08-001 for PacTel Employee Benefit Services between Human Resources, Pacific Bell and PacTel Cellular, effective May 1, 1989, including Modification No. 1, effective April 1, 1990
10. Schedule PC-08-002 for Benefit Plans - Delivery Services between Pacific Bell and PacTel Cellular, dated May 1, 1989
11. Schedule PC-08-003 for Relocation Plan Administration Services between Pacific Bell and PacTel Cellular, dated May 1, 1989
12. Modification No. 2 to Schedule PC-18-008 for Training Delivery Services between Pacific Bell and PacTel Cellular, effective October 1, 1991 (superseded original Schedule PC-18-008 and Modification No. 1 thereto)
13. Schedule PC-16-009 for Property Management Services (Paved and Unpaved Land Use) between Real Estate Management, Pacific Bell and PacTel Cellular, effective April 1, 1984, and Modification Nos. 1 and 2 thereto
14. Schedule PC-17-010 for Security Investigative Services Agreement between Pacific Bell and PacTel Cellular, dated November 15, 1988
15. Modification No. 1 to Schedule No. PC-44-011 for Informal Customer Appeals Services (name change of service previously known as Regulatory Relations Services) between External Affairs Department, Pacific Bell and PacTel Cellular, effective April 1, 1991 (superseded original Schedule PC-44-011)
16. Schedule No. PC-38-012 between Pacific Bell and PacTel Cellular for Tax Services, dated October 1, 1989
17. Schedule No. PC-03-013 between Pacific Bell and PacTel Cellular for Media Distribution Services, dated January 1, 1989
18. Schedule No. PC-24-014 between Pacific Bell and PacTel Cellular for Special Payments Processing, dated March 1, 1989
19. Schedule No. PC-03-015 between Pacific Bell and PacTel Cellular for Pioneer Administration Services, dated January 1, 1990

20. Modification No. 1 to Schedule PC-9-017 for Consulting Services between Product and Technology Support, Pacific Bell and PacTel Cellular, effective January 1, 1991 (superseded original Schedule PC-9-017)
21. Schedule No. PC-03-018 between Pacific Bell and PacTel Cellular for Community Liaison Services, dated July 1, 1991

Pacific Bell - PacTel Paging

22. Schedule No. PA-08-001 for PacTel Employee Benefit Services between Human Resources, Pacific Bell and PacTel Paging, effective May 1, 1989, and Modification No. 1 thereto, effective April 1, 1990
23. Schedule No. PA-08-003 between Pacific Bell and PacTel Paging for Relocation Plan Administration Services, dated May 1, 1989
24. Schedule No. PA-03-007 between Pacific Bell and PacTel Paging for Media Distribution Services, dated January 1, 1989

Pacific Bell - Pacific Telesis International

25. Agreement between Pacific Bell and Pacific Telesis International for General Administrative Services, effective January 1, 1984, including Amendments Nos. 1-3, and all of the Schedules executed under this Agreement, including but not limited to the following:
 26. Schedule No. PW-21-008 between Pacific Bell and Pacific Telesis International for Employees Under Contract Service, dated January 1, 1984
 27. Schedule No. PW-14-015 for Corporate Research Services Between Pacific Bell Planning and Pacific Telesis International, effective August 1, 1984, including Modification Nos. 1 and 2 thereto
 28. Schedule No. PW-8-016 between Pacific Bell and Pacific Telesis International for Relocation Plan Administration Services, dated March 1, 1984
 29. Schedule No. PW-18-020 between Pacific Bell and Pacific Telesis International for Benefit Plans-Delivery Services, effective February 1, 1985, including the Modification thereto effective June 1, 1986
 30. Schedule No. PW-8-021 between Pacific Bell and Pacific Telesis International for Human Resource Consultant Services, dated September 1, 1984

31. Modification No. 4 to Schedule No. PW-18-023 between Pacific Bell and Pacific Telesis International for Training Delivery Services, effective June 1, 1992 (superseded original Schedule No. PW-18-023 and Modification Nos. 1, 2 and 3 thereto)
32. Schedule No. PW-12-033 between Pacific Bell and Pacific Telesis International for Officers' Vehicle Services, dated January 1, 1986
33. Schedule No. PW-12-035 between Pacific Bell and Pacific Telesis International for Motor Pool Services, dated January 1, 1986
34. Schedule No. PW-37-037 between Pacific Bell and Pacific Telesis International for Tours of Central Office and Outside Plant facilities, dated June 1, 1986
35. Schedule No. PW-37-038 between Pacific Bell and Pacific Telesis International for Miscellaneous Requests dated January 1, 1987
36. Schedule No. PW-32-041 between Pacific Bell and Pacific Telesis International for Network Technology Support Services, dated August 16, 1989
37. Schedule No. PW-08-042 between Human Resources, Pacific Bell and Pacific Telesis International for Employee Benefit Services, effective May 1, 1989, and Modification No. 1 thereto, effective April 1, 1990
38. Schedule No. PW-40-049 between Pacific Bell and Pacific Telesis International for Miscellaneous Consulting Services, dated May 1, 1990

PacTel Corporation - Telesis Technologies Laboratory, Inc.

39. Agreement between PacTel Corporation and Telesis Technologies Laboratory, Inc. for General Services dated February 20, 1991, including Modification No. 1 thereto, effective February 20, 1991, and all of the Schedules executed under this Agreement, including but not limited to the following:
 40. Schedule No. CS-1-001 (PCS Experimental License Services - Phase 1), dated February 20, 1991
 41. Schedule No. CS-1-002 (PCS Experimental License Services - Phase 2), dated June 1, 1992.

See also Appendix E (Telesis Technologies Laboratory, Inc.).

(Exhibit H-2 Follows)

EXHIBIT H-2

LIST OF AGREEMENTS NOT TERMINATED

1. **Connection and Traffic Interchange Agreement between Pacific Bell and PacTel Mobile Access (now known as PacTel Cellular) (CTIA-85C) for San Diego, effective May 1, 1985**
2. **Interim Connection and Traffic Interchange Agreement between Pacific Bell and PacTel Mobile Access (now known as PacTel Cellular), effective April 1, 1986**
3. **Paging Connection and Traffic Interchange Agreement between PacTel Paging of California and Pacific Bell, dated October 2, 1989**
4. **Cellular Interconnection Agreement between PacTel Cellular and Pacific Bell, effective January 1, 1993**
5. **Lease Agreement between Nevada Bell and Sacramento-Valley Limited Partnership of which PacTel Cellular is the General Partner, dated October 15, 1990 (Peavine Mountain Ground Lease).**

(Exhibit I Follows)

5/10/93

APPENDIX J

to the

SEPARATION AGREEMENT

between

PACIFIC TELESIS GROUP

and

PACTEL CORPORATION

CORPORATE BUSINESS OPPORTUNITIES

CORPORATE BUSINESS OPPORTUNITIES

CORPORATE BUSINESS OPPORTUNITIES

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CORPORATE BUSINESS OPPORTUNITIES

SECTION 1 - DEFINITIONS

The following definitions and other terms defined in this Appendix and elsewhere in this Agreement have the meanings set forth herein unless the context indicates otherwise. Words importing persons include corporations. Words importing only the singular include the plural and vice versa when the context requires.

1.1 PacTel Companies means PacTel Corporation (or its successor) and its Affiliates prior to the Separation Date.

1.2 Telesis Companies means Pacific Telesis Group (or its successor) and its Affiliates, other than the PacTel Companies, prior to the Separation Date.

SECTION 2 - ALLOCATION OF BUSINESS OPPORTUNITIES

Telesis may determine, in its sole discretion, what future business opportunities the Telesis Companies will pursue, in addition to or to the exclusion of the PacTel Companies, even if such determination excludes the PacTel Companies from currently existing or future business opportunities that could be considered logical, natural or beneficial extensions of the PacTel Companies' business; provided, however, that:

- a. The PacTel Companies will have the right to pursue, to the exclusion of the Telesis Companies, all

domestic and international business opportunities which, in whole or substantial part, are (1) cellular (i.e., 47 C.F.R. section 22.900 et seq.), (2) paging, or (3) radiolocation opportunities.

- b. To the extent that the Federal Communications Commission ("FCC") does not permit separate applications for Personal Communications Service ("PCS") licenses (i.e., FCC GEN Docket No. 90-314) by both the Telesis Companies and the PacTel Companies, whether by denial of waivers or otherwise, the PacTel Companies will have the right to pursue, to the exclusion of the Telesis Companies, all PCS opportunities outside California and Nevada, and the Telesis Companies will have the right to pursue, to the exclusion of the PacTel Companies, all PCS opportunities inside California and Nevada. If (1) the FCC does not permit separate PCS license applications by both the Telesis Companies and the PacTel Companies and (2) the territory intended to be served under a prospective PCS license includes portions of California or Nevada as well as territories outside California and Nevada, the Telesis Companies will have the right to pursue, to the exclusion of the PacTel Companies, such opportunity.

Notwithstanding the preceding sentence, the Telesis

Companies will use their reasonable best efforts to assign (at the expense of the PacTel Companies) all such PCS license opportunities outside California and Nevada to the PacTel Companies, and if the board of directors of Telesis determines that the Telesis Companies would for any reason be unable to accomplish this assignment, the board of directors of Telesis shall decide, in its sole discretion, whether such opportunity will be pursued exclusively by the Telesis Companies or exclusively by the PacTel Companies.

SECTION 3 - OBLIGATION OF PROMPT DECISION AND NOTIFICATION

Each Party agrees to use its best efforts to decide whether to pursue a business opportunity as soon as reasonably possible after first learning of the opportunity. If such Party decides not to pursue a business opportunity that it has the right to pursue to the exclusion of the other Party, it must promptly inform the other Party of any such decision. The other Party is then free to pursue such opportunity.

SECTION 4 - LIMITATION OF LIABILITY

Neither the PacTel Companies nor any shareholder thereof may assert any claim against the Telesis Companies or the PacTel Companies, or any director or officer thereof, for the breach of any duty, including but not limited to the duty of loyalty or

fair dealing, on account of an alleged diversion of a corporate business opportunity from the PacTel Companies to the Telesis Companies unless such opportunity related solely to an opportunity that the PacTel Companies had the right to elect to pursue, to the exclusion of the Telesis Companies, pursuant to this Appendix. Notwithstanding the foregoing, no such claim may be made in any event if the members of the board of directors of PacTel who are not employees of the Telesis Companies disclaimed the PacTel Companies' right to pursue such opportunity by a unanimous vote.

SECTION 5 - TERMINATION

The provisions of Section 2 (Allocation of Business Opportunities) and Section 3 (Obligation of Prompt Decision and Notification) shall terminate effective on and as of the Separation Date.

(End of Agreement)