

May 11, 2015

Roger Sherman, Chief
Wireless Telecommunications Bureau
FCC
445 12th Street SW
Washington, DC 20012

Re: Reforming the FCC's Designated Entity Program
WT Docket No. 14-170; GN Docket No. 12-268

Dear Roger,

Section 309(j) of the Telecommunications Act of 1996 directs the FCC to ensure that small businesses, rural telephone companies and businesses owned by members of minority groups and women have the opportunity to meaningfully participate in the provision of spectrum-based services. Meaningful participation by such Designated Entities or DEs not only fulfills important statutory opportunity and diversity goals, but it yields significant public interest benefits, including more robust auction participation, which in turn can reap higher proceeds for the U.S. Treasury, increased competition in the wireless industry and more robust rural network deployments.

In the wake of the AWS-3 auction, there is broad, bipartisan consensus that the FCC's current DE program is in need of reform. Many, including Congressman Frank Pallone, have specifically called on the FCC to close DE "loopholes" and update the DE rules to give true small businesses better access to spectrum for the upcoming broadcast incentive auction.

The signatories of this letter agree that reform is essential, and believe a radical new approach should be considered -- one that will assure policymakers and taxpayers alike that auction subsidies will be directed to true small communications businesses and rural telcos. We also believe that while any new program should support new entrants, such support must be sufficiently defined so as to not invite big business dollars and deep pocketed investors to stand behind newly formed LLCs in a play for unmerited financial advantage. Finally, we believe that new spectrum allocations supported by bidding credits should go only to licensees that intend to deploy those licenses to offer wireless services to U.S. consumers.

We therefore propose for consideration the following new Designated Entity framework:

Small Business/Rural Telco Bidding Credit: Eligible auction applicants would be permitted to claim a Small Business/Rural Telco bidding credit of 25%. To be eligible, an applicant must be in the business of providing commercial communications services to a customer base of less than

250,000 combined wireless/wireline customers. Any Small Business/Rural Telco bidding credit would be capped at \$10M per bidding entity.

Small Business/New Entrant Bidding Credit: Eligible auction applicants would be permitted to claim a Small Business/New Entrant bidding credit of 25%. To be eligible, an applicant must have average annual gross revenues for the last three completed fiscal years of \$55M or less. Any Small Business/New Entrant Bidding Credit would be capped at \$10M per bidding entity.

Both bidding credits would come with limitations. Bidding credits would not be cumulative and any individual or business would be eligible to claim only one bidding credit, either directly or indirectly through any relationship with or investment in an eligible bidding entity. In this way, no individual or entity would be entitled to benefit either directly or indirectly from more than one bidding credit. In furtherance of rural deployment, however, we would support an exception to that rule for members of long-standing rural partnerships (and rural telephone companies partly owned by other rural telephone companies) and their individual partners, each bidding in their own service areas, as long as they do not bid against each other in the same PEA, EA or CMA.

All bidding credits would be capped as outlined above to protect against potential abuses of the program. Indeed our support of this framework is directly contingent on the proposed caps as we believe that rigorously defined caps provide the greatest assurances to policymakers and auction participants alike that the program will not be exploited for unfair advantage.

No applicant claiming a bidding credit would be permitted to join a joint bidding arrangement or consortium (to the extent such arrangements continue to be permitted by the FCC) with an applicant that is not separately eligible for a bidding credit. And any applicant who obtains a bidding credit would be required to meet any and all FCC mandated interim performance requirements, without exception, before sale of the relevant spectrum license. Failure to meet this requirement for any individual license would result in the full forfeiture of any bidding credit associated with that license.

Finally, to ensure the availability of financing, we believe that commercial banking entities should be entitled under any new framework to provide arms-length commercial loans to bidding entities without undue restrictions.

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We believe this framework would provide for and support robust participation in the incentive auction by true small businesses and new entrants. The framework as proposed would provide a full 25% bidding credit to any entity with a capital budget for auction of up to \$40M --- a significant spend for any small business on spectrum, and which doesn't even include capital expenditures for wireless build-out. As the attached chart shows, that amount would cover the full auction spend of 22 of the 31 winning bidders in the AWS3 auction. Such limits would also decisively close the "loopholes" that allowed entities backed by big business dollars to seek eligibility for billions of dollars of bidding credits in the AWS3 auction.

We also believe that a program built on this framework would provide clearer rules that would be easier for the FCC and auction participants alike to manage and administer, promoting greater auction transparency and ease.

We offer this framework as a path to a more equitable and sustainable Designated Entity Program. We would be happy to discuss it in more detail with you and your Staff.

Signed,

Joan Marsh
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AT&T

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Results of the AWS Auction

Winning Bidder	Bidding Entity	Gross PWB	Net PWB
AT&T	AT&T Wireless Services 3 LLC	18.189B	18.189B
Verizon	Cellco Partnership	10.430B	10.430B
Northstar Wireless	DE Northstar Wireless, LLC	7.845B	5.883B
SNR Wireless	DE SNR Wireless LicenseCo, LLC	5.482B	4.111B
T-Mobile	T-Mobile License LLC	1.774B	1.774B
US Cellular	DE Advantage Spectrum, L.P.	451,072,000	338,304,000
Jarvinian	DE 2014 AWS Spectrum Bidco	389,080,000	291,810,000
America Movil	Puerto Rico Telephone Company.	170,901,300	170,901,300
Tristar License Group	DE Tristar License Group, LLC	62,808,000	47,106,000
Viaero	NE Colorado Cellular, Inc.	30,718,000	30,718,000
Sofio, Joseph A	DE Sofio, Joseph A	17,978,000	13,483,500
Anderson Pacific	DE Cypress Cellular, LP	13,579,000	10,184,250
Orion Wireless LLC	DE Orion Wireless LLC	10,410,000	7,807,500
Cellular One Arizona	Smith Bagley, Inc.	10,293,000	10,293,000
West Central Wireless	Central Texas Telephone	3,321,000	3,321,000
KURIAN, BEAULAH T	DE KURIAN, BEAULAH T	2,906,000	2,179,500
Farmers Telephone	FTC Management Group, Inc.	2,696,000	2,696,000
Geneseo	DE Geneseo Comm Services, Inc.	2,332,000	1,982,200
Nsight	Nsight Spectrum, LLC	1,499,000	1,499,000
Docomo Pacific	Docomo Pacific, Inc.	1,386,000	1,386,000
Emery Telecom	DE Emery Telcom-Wireless, Inc.	1,237,000	1,051,450
Sandhill Comm	DE Sandhill Communications, LLC	1,063,000	903,550
Pioneer	Pioneer Telephone Coop	991,000	991,000
LigTel	Ligtel Communications, Inc.	861,000	861,000
Bug Tussel Wireless	Michigan Wireless, LLC	829,000	829,000
Gila River	Gila River Telecomm.	818,000	818,000
Northern Valley	DE Northern Valley Comm	694,000	589,900
Truvista	DE Chester Telephone Company	483,000	410,550
Blue Wireless	DE Spotlight Media Corp., Inc.	371,000	278,250
Triangle Comm	Triangle Communication System	221,600	221,600
RigNet	RigNet Satcom, Inc.	155,000	155,000