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Second Report to the FCC PCS TASK FORCE  
General Docket 90-314

CREATIVE FINANCING OPTIONS FOR  
DESIGNATED ENTITIES IN PCS

Providing Stimulus Options to Attract Capital Investment in Women, Minority and Small Business  
Companies in Personal Communications Services

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## Preference Options to Increase Ownership Opportunities

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The Omnibus Budget Reconciliation Act of 1993 mandated that minorities, women and small businesses be insured the opportunity to own licenses in Personal Communications Services. The FCC, responsible for the task of crafting rules and regulations which level the playing field for Designated Entities, must adopt and enforce measures that foster business relationships whereby women, minorities and small businesses have the necessary resources available to them to equitably compete in PCS. Many preferential options have been proposed. The NPPCA has carefully weighed the merits of most of the prevailing plans concerning preference options for the DE's. This second report explores creative financing arrangements and highlights the benefits which achieve the overall objective--providing stimulus options which attract capital investment in women, minority and small business companies in PCS.

### DEBENTURE BOND FINANCING FCC INSURED FINANCING (PCS CFP)

The amount of capital required to obtain a PCS license, build out the system, and provide the service will prove to be, in most cases, substantially higher than designated entities have readily available. Therefore, it will be a major requirement for DE's that capital acquisition come from sources other than historical lending institutions. Banking and lending institutions are primarily asset based lenders and they continue to red-line businesses owned by minorities, women and some small businesses. The NPPCA proposes a two-facetted plan to inspire capital investment by would be lenders.

Debenture Bond Financing is one of the most practical mechanisms to employ. The Debenture Bond would be backed by the general credit of the business entity rather than a specific or particular asset; it would be a corporate security rather than an equity security. The strength of this mechanism should be further supported by an FCC sponsored PCS Capital Fund Program (PCS CFP). The PCS CFP would be established by the FCC and administered possibly by the SBA or the US Dept. of Commerce Minority Business Development Agency (MBDA). Funding for this program would come from a nominal percentage (10%-20%) of the proceeds from the sale/auctioning of the PCS licenses. Sixty percent (60%) of the funds provided by a lender in a company owned and operated by a woman, minority or small business person would be insured or guaranteed under this program. The FCC's SBAC has already advocated a similar approach in its Sep. 1993 report to the Commission on Gen. Docket 90-314 (PCS). The Debenture Bond could be converted, if desired, for its cash value or the issuance of stock at some point in the business venture when the business entity has reached a point of profitability. The PCS CFP eligibility requirements would be established by the FCC and applicants would have to be approved/certified by the FCC. Perhaps the NPPCA could be part of any advisory committee which develops Attribution Rules and qualifies and recommends applicants for FCC approval in the PCS CFP.

It is the intent of the NPPCA to continue to work with the FCC and others who seek to provide fair and equitable opportunities for minorities, women and small businesses in PCS license ownership. The Debenture Bond and FCC Capital Fund Program are mechanisms that can be employed to not only promote capital investment in DE companies but also to insure the value of the PCS license.