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June 17, 2015

VIA ELECTRONIC FILING

Marlene H. Dortch, Esq.
Secretary
Federal Communications Commission
Office of the Secretary
445 Twelfth Street, SW
Washington, DC 20554

Re: Ex Parte Notice, Written Presentation: WT Docket Nos. 14-170 and 05-211, GN Docket No. 12-268, and RM-11395

Dear Ms. Dortch:

On June 15, 2015, Stephen Hillard, CEO of Council Tree Investors, Inc. ("Council Tree"); George Laub, Managing Director of Council Tree; and Dennis P. Corbett and the undersigned, both with Lerman Senter PLLC, counsel to Council Tree, held a conference call with Roger C. Sherman, Chief, Wireless Telecommunications Bureau ("WTB"); Jean Kiddoo, Deputy Chief, WTB; Sue McNeil, Special Advisor to the Bureau Chief, WTB; Johanna Thomas, Legal Advisor to the Bureau Chief, WTB; and Margaret Wiener, Chief, Auctions & Special Access Division, WTB. The policy and legal issues discussed related to the FCC's designated entity ("DE") program and Council Tree's various filings in the aforementioned dockets, as well as the attached written presentation.

Council Tree summarized the findings of new data that it had developed in the attached presentation. The data serves to rebut AT&T's presentation[1] that claims that a $10 million cap would have a limited impact, affecting "only" 11 of the 127 Designated Entities who won spectrum in last three major auctions (Auctions 66, 73 and 97). Data show this to be incorrect, and the impact on DE participation in auctions would in fact be severely curtailed with the imposition of such a proposal. For example, AT&T's cap in Auction 97 alone would have reduced DE winning bids from $14.3 billion to just $251 million or less, a 98% reduction. As Council Tree has demonstrated in the past through multiple analyses, removing $14 billion of DE winning bids from

[1] Reply Comments of AT&T, WT Docket Nos. 14-170 and 05-211, GN Docket No. 12-268, RM-11395, at 6 (May 21, 2015).

Auction 97 would in turn reduce auction competition and overall auction proceeds by $20+ billion.[2]

Please contact the undersigned if you have questions or comments.

Sincerely,

/s/ *S. Jenell Trigg*

S. Jenell Trigg
Counsel to Council Tree Investors, Inc.

Attachments

cc: Roger C. Sherman
Jean Kiddoo
Sue McNeil
Margaret Wiener
Johanna Thomas

[2] See Council Tree Comments, WT Docket Nos. 14-170 and 05-211, GN Docket No. 12-268, RM-11395 at 31 and Exhibit 4 at 2 (May 14, 2015).

Hard data demonstrate that placing caps on Designated Entity (DE) bidding credits as proposed by AT&T will sharply reduce DE participation in wireless auctions

June 15, 2015

Summary

Hard data demonstrate that placing caps on Designated Entity (DE) bidding credits as proposed by AT&T will sharply reduce DE participation in wireless auctions

- **AT&T proposes a $10mm cap on DE bidding credits**
  - Characterizing the cap as having little impact
  - e.g., "only" 11 of the 127 winning DE bidders in Auctions 66, 73 and 97 would be affected
- **However, data show that if such a cap were applied to Auction 97, DE winning bids would decline by 98% from $14.3 billion to, at most, $251mm**
  - Demonstrating that the impact is in fact severe, not limited
- **Further, the cap places 87% of the Auction 97 licenses out of reach of DE bidders**
  - Under the illustrative $10mm cap, a DE could bid to just $40mm before reaching the cap
  - In Auction 97, 87% of the licenses sold were valued at more than $40mm
    - 178 of aggregate licenses sold to all bidders were valued at > $40mm
    - For a total of $39 billion, or 87% of the total auction value
  - $39 billion of licenses, or 87% of the A97 total, effectively becomes "off-limits" to DEs
- **Such caps effectively preclude DEs from acquiring medium- and large-sized urban markets, or from establishing regional footprints – a boon for incumbents**
  - Incumbents are insulated from DE competition with DEs relegated to small, rural markets
- **Council Tree opposes this and other "poison pill" proposals as contrary to the plain language of 309(j), the Commission's own record and DE participation in large markets**
  - As Council Tree has extensively documented in this record

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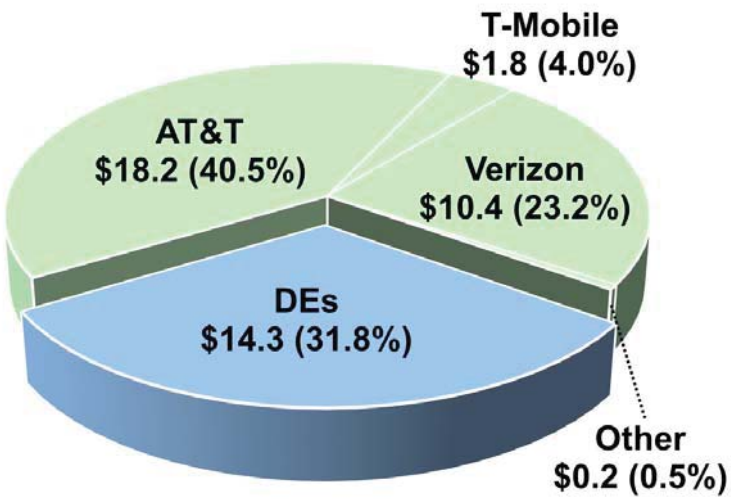
Auction 97 Pro Forma for DE Bid Credit Caps

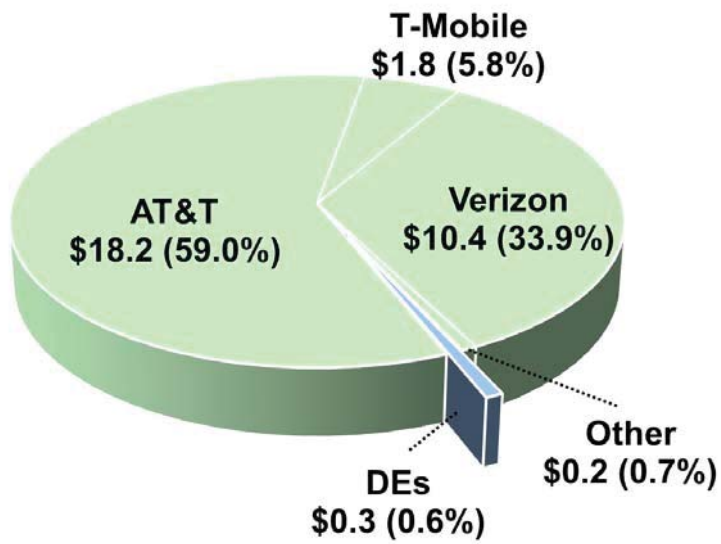
Imposition of a $10mm cap on DE bidding credits, as AT&T has proposed, reduces DE participation in Auction 97 by 98%, from $14.3 billion to just $251mm

Auction 97 Results ($ billions)

Actual



Pro Forma for $10mm DE Bidding Credit Cap



- **A $10mm cap would remove at least $14 billion of DE winning bids from Auction 97**
  - Leaving at most $251mm of DE winning bids
- **In turn leaving incumbents to dominate Auction 97 at low prices, as in Auctions 66 and 73**
  - Auctions 66 and 73 were run pursuant to severe DE restrictions, since vacated by the court

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Auction 97 Pro Forma for DE Bid Credit Caps (cont'd)

The chart below details DE participants in Auction 97 and the individual impact of AT&T's $10mm cap

Designated Entity Winning Bidders in Auction 97

($ in millions)		A97 Actual Results		Pro Forma Results with $10MM Bid Credit Cap	
No.	Name of DE Bidder	Gross Winning Bids	Bidding Credit	Gross Winning Bids	Bidding Credit
1	Northstar Wireless, LLC	$7,845.1	$1,961.3	$40.0	$10.0
2	SNR Wireless LicenseCo, LLC	5,482.4	1,370.6	40.0	10.0
3	Advantage Spectrum, L.P.	451.1	112.8	40.0	10.0
4	2014 AWS Spectrum Bidco Corporation	389.1	97.3	40.0	10.0
5	Tristar License Group, LLC	62.8	15.7	40.0	10.0
6	Sofio, Joseph A	18.0	4.5	18.0	4.5
7	Cypress Cellular, LP	13.6	3.4	13.6	3.4
8	Orion Wireless LLC	10.4	2.6	10.4	2.6
9	KURIAN, BEAULAH T	2.9	0.7	2.9	0.7
10	Geneseo Communications Services, Inc	2.3	0.3	2.3	0.3
11	Emery Telcom-Wireless, Inc.	1.2	0.2	1.2	0.2
12	Sandhill Communications, LLC	1.1	0.2	1.1	0.2
13	Northern Valley Communications, LLC	0.7	0.1	0.7	0.1
14	Spotlight Media Corp., Inc.	0.4	0.1	0.4	0.1
15	Chester Telephone Company	0.5	0.1	0.5	0.1
	Total	**$14,281.4**	**$3,569.8**	**$251.1**	**$62.2**
	Reduction			**-98.2%**	**-98.2%**

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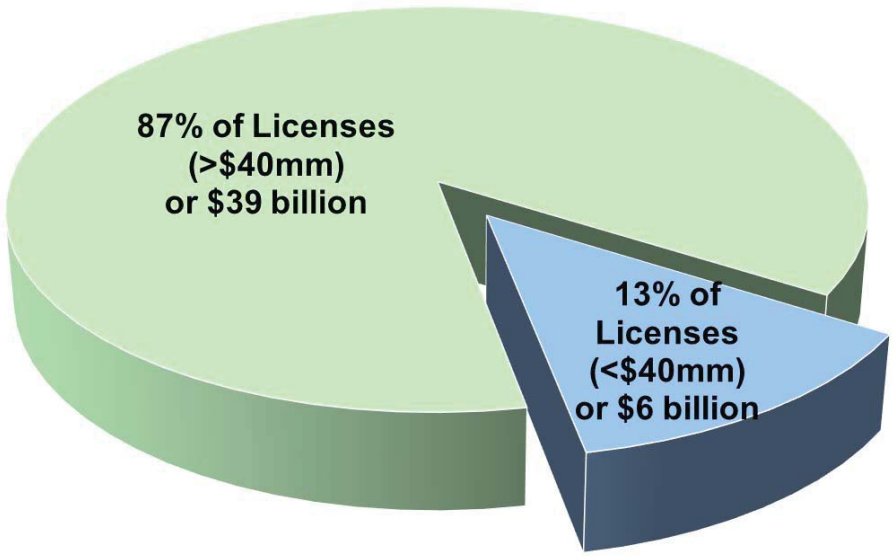
A $10mm Bid Cap Places at Least 87% of Spectrum Off Limits to DEs

A $10mm bid cap puts off limits to DEs all licenses valued at $40mm or more; in Auction 97 this represented 87% of licenses by value

Auction 97: Licenses > $40mm Each



- **In Auction 97, 178 Licenses sold for more than $40mm each**
  - Representing $39 billion in total value
  - Or 87% of the dollar value of all licenses
- **Effectively walls off 87% of all licenses by value from any DE competition ➔ windfall to incumbents**

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