

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
2006 Quadrennial Regulatory Review – Review of the Commission’s Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996)	MB Docket No. 06-121
)	
)	
2002 Biennial Regulatory Review – Review of the Commission’s Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996)	MB Docket No. 02-277
)	
)	
Cross-Ownership of Broadcast Stations and Newspapers)	MM Docket No. 01-235
)	
Rules and Policies Concerning Multiple Ownership of Radio Radio Broadcast Stations in Local Markets)	MM Docket No. 01-317
)	
)	
Definition of Radio Markets)	MM Docket No. 00-244
)	
)	
Ways to Further Section 257 Mandate and To Build on Earlier Studies)	MB Docket No. 04-228

To: The Commission

**REPLY COMMENTS OF FINANCIAL SERVICES COMPANIES IN
RESPONSE TO THE SECOND FURTHER NOTICE OF PROPOSED RULEMAKING**

The commercial banks, investment bankers, private equity firms and hedge funds identified below respectfully support the Commission’s initiative in considering the proposals to foster minority and women ownership submitted by the Diversity and Competition Supporters (MMTC *et al.*) and the Advisory Committee on Diversity for Communications in the Digital Age.¹

¹ See 2006 Quadrennial Regulatory Review – Review of the Commission’s Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996, MB Docket No. 06-121 *et al.* (Second Further Notice of Proposed Rulemaking), 22 FCC Rcd 14216 (2007) (“Second FNPRM”). We appreciate that the Commission will accept reply comments in response to the Second FNPRM through November 1, 2007. See Order, DA 07-4107 (released October 12, 2007) at 3 n. 13.

For over a generation, the Commission has recognized that access to capital is among the principal impediments to diversity and new entry into the broadcasting market.² Access to equity, mezzanine, subordinated debt and senior debt remains elusive for transactions under \$10,000,000.

The proposals set forth in the *Second FNPRM* underscore the Commission's ability to enhance the ease of entry, creditworthiness, asset values and operational qualifications presented by potential broadcast station operators and buyers, particularly minorities and women. Therefore, we encourage the Commission to review these proposals thoroughly and develop a comprehensive package of minority ownership initiatives that would be effective. By way of illustration, here are some initiatives that would have considerable value in enhancing access to capital and would appeal to all stakeholders:

- Proposal #8: Nonattribution Of EDP Interests In SDBs. Relaxation of the EDP Rule is vital in restoring the "seller paper" market to health. Nearly all seller paper is subordinated and most of it contains terms favorable to buyers. Seller paper is vital to new entrants both as a financing instrument and as a signal to senior lenders and investors that the seller has confidence in the buyer's capabilities.
- Proposal #24: Advocacy Of Tax Deferral Legislation Designed, To The Extent Possible, To Foster Minority Ownership. No policy designed to promote minority ownership has been more effective than the tax certificate policy. When it was in existence, the policy created a significant incentive for sellers of broadcast properties to work with, and consider selling to, minority buyers. The policy quintupled minority broadcast ownership from 1978 to 1995. A strong endorsement by the Commission could play a significant role in securing congressional passage of legislation to restore the policy.
- Proposal #28: FCC Proposal To The U.S. Treasury Department That The Community Reinvestment Act (CRA) Be Extended To Encourage Financial Institutions To Provide Debt Financing To Broadcasters. All banks need CRA credit, and what better way could there be to secure CRA credit than by providing debt financing to companies whose business purpose is providing information to the public at large? The central premise of Section 307(b) of the Communications Act mandates that broadcast stations serve the needs of local communities. That is the goal of the CRA as well.
- Proposal #29: Encourage More Local And Regional Banks To Participate In SBA-Guaranteed Loan Programs For Broadcast And Telecom Ventures. Local banks are often

² See, e.g., *Statement of Policy on Minority Ownership of Broadcast Facilities*, 68 FCC2d 979, 982 (1978).

unfamiliar with cash flow lending and with lending to industries for which the principal asset is an intangible. SBA guarantees would be a powerful incentive for local banks to overcome their hesitancy to lend to broadcasters.

- Proposal #36: Use Of The Share-Time Rule To Foster Ownership Of DTV And FM Subchannels. While leases of DTV subchannels and HD channels are desirable, entrepreneurs have difficulty financing leases given the potential nonrecoverability of sunk costs. Ownership is much easier to finance. Subchannel share-time ownership would provide incumbent licensees with the entirely voluntary option of monetizing their spectrum, thereby putting the spectrum to a higher valued use. We anticipate that many subchannel share-time owners would focus on emerging markets with high intensity of consumer demand, particularly multilingual or multicultural markets. Thus, subchannel share-time ownership presents an enormous potential opportunity for new entry by minorities.

These and other proposals set out in the *Second FNPRM* deserve the Commission's full attention and expedited consideration. Unleashing the full entrepreneurial, managerial and creative talents of all Americans advances competition, and thus should be regarded as a business issue as well as a moral imperative. We stand ready to assist the Commission as it considers and implements initiatives to promote diversity in broadcast ownership.

Respectfully submitted,

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