

## **Summary of SBBC Lease with Sprint**

### **Educational Broadband Licenses (EBS) Defined:**

- EBS refers to Educational Broadband System. It was formerly called ITFS (Instructional Television Fixed Service).
- The FCC issued EBS licenses to school districts, colleges and libraries for transmission of educational content over 50 years ago.
- The School District has two license groups consisting of a total of eight channels, KTZ22 and KLC80. These licenses cover all of Broward County, and parts of Palm Beach and Miami-Dade County.
- BECON has been using the EBS channels since 1966 to provide instructional television programs to classrooms in all of the schools across the District.

### **Leasing Excess Capacity:**

- In 2005, the FCC changed the designation of these channels from Instructional Television Fixed Service (ITFS) to Educational Broadband Service (EBS).
- With this change, the FCC made the licenses desirable and valuable to commercial wireless operators such as Sprint. Sprint leases this spectrum from educational license holders all across the country, and throughout Florida.
- The new FCC rules require license holders to transition from fixed video service to mobile broadband data service. This requires partnering with a wireless service provider such as Sprint.
- The FCC has guidelines for 30-year leases with commercial providers. Educators are permitted to lease spectrum for cash payments and service credits.
- Educators who lease spectrum are required to provide educational content and service to the community. This rule is referred to as: "Substantial Service"
- Educators remain the license holder, and maintain ownership of the license.

### **Determining the Value of the EBS Spectrum:**

- In order to determine the present value of the EBS spectrum, SBBC retained Walters and Associates, a licensed appraiser, in 2012.
- Considering a variety of factors, including the FAU and Miami Dade leases as well as an FCC auction and potential income approach, Walters and Associates provided an appraisal of \$36.8 million or \$0.265 per MHz-POP.
- We used this appraised value to benchmark offers we receive from commercial partners

### **Select Spectrum:**

- On May 20, 2014, the Board approved an agreement with Robert Finch of Select Spectrum to market the SBBC spectrum to wireless operators.
- Select Spectrum released a "Spectrum Information Memorandum" on behalf of SBBC, and conducted a multiple bid offering for the licenses.
- After 2 months of negotiations, Sprint's best and final offer was high bid.

### **How this current offer compares to previous offers:**

- 2010 Clearwire offer: [REDACTED] in total cash payments. This was in response to SBBC's public RFP.
- 2012 Clearwire offer: [REDACTED] in total cash payments. This was unsolicited and presented by Bob Butterworth and Matt Leibowitz.
- 2014 Initial Sprint offer: [REDACTED] in total cash payments. This was the first offer received by Select Spectrum in June 2014.
- 2014 Final Sprint offer: [REDACTED] in total cash payments. This is the best and final offer from Sprint received by Select Spectrum in October 2014.

### **Terms of the Proposed Lease:**

- The Lease is for 30 years, divided into three 10-year terms with automatic renewals.
- Upon FCC Approval, Sprint will begin making monthly payments of [REDACTED] per month over 30 years for a total payment of [REDACTED]
- Upon Final FCC Approval, Sprint will make an upfront payment of [REDACTED]
- [REDACTED] of the [REDACTED] upfront payment is to be used to convert BECON's Instructional Television Service to IPTV, in order to free up the 2 channels currently in use.
- Sprint will make a payment of [REDACTED] upon one-year advance notice to SBBC of its intent to use the final 2 channels.
- Total monthly payments of [REDACTED] plus [REDACTED] upfront payment plus [REDACTED] payment equal [REDACTED] in cash payments to SBBC.
- Sprint will also provide [REDACTED] per month in wireless service credits over 30 years for a total service credit of [REDACTED], to be used to meet the Educational Use and Significant Service requirement.
- Sprint will reimburse SBBC up to [REDACTED] in legal and engineering expenses, incurred during the negotiation of this lease.
- Total value of all payments, reimbursements, and credits is [REDACTED]
- The agreement requires Sprint to reimburse hard costs related to maintaining the licenses, including filing fees, and engineering and attorney fees. Costs over \$500 require advance notice and approval.