



NORTHWEST FLORIDA STATE COLLEGE

Memo

To: Board of Trustees
From: Dr. Devin Stephenson, President
Date: September 19, 2023
Re: EBS Licenses

T-Mobile has submitted an offer to purchase the College's and the Foundation's Educational Broadband Service (EBS) licenses. Due to certain limited access information, the offer letter and supporting information are included in Supplementary Materials, which you access by (1) opening your Board book and selecting the item in Table of Contents or (2) choosing Meetings, September 19, scroll to the EBS item and click it.

For context, the Federal Communications Commission (FCC) is responsible for distributing spectrum bands (also referred to as radio frequencies or airwaves), which allow transmission of information through radio waves. The FCC set aside EBS as a spectrum band dedicated to public use for educational purposes. In the mid-2000s, after limited public use of the spectrum band, the FCC permitted use of EBS for broadband services, allowing two ways for license holders to take advantage of the spectrum: use it themselves or lease it. In 2006, like most public organizations nationwide, the College and the Foundation entered long-term leases with a telecom company, Sprint (now T-Mobile), to create a revenue stream from an asset that was otherwise unused.

In 2020, the FCC implemented a rule permitting EBS license owners to sell their licenses, opening a third path to exploit the licenses. Despite the FCC offering a new way to create value, the College and the Foundation have limited options for sale under the existing leases. The leases prohibit soliciting an offer for the licenses and require disclosure of any unsolicited offer submitted to T-Mobile. Although the value of the EBS licenses is projected to increase for the next several years, the value is dependent on population growth, a continued limited market for these licenses, and the pace of technological innovation. Outside of the major telecom companies, few investment companies currently exist that are interested in submitting offers to purchase the licenses. After receiving a public records request from one such investment company last year, the College did not receive an unsolicited offer from that firm. Because the College and the Foundation have received limited value from the licenses, we requested that T-Mobile present an offer to purchase rather than lease.

Generally, the leases are valued based off the spectrum available under the licenses and the population of the license area. The population maps based on census data show approximately 300,000 residents in each license area, which covers Okaloosa, Walton, and a part of Santa Rosa counties. The College submitted data showing the growth of the counties in question and the millions of seasonal residents not accounted for by the census. Additionally, the College explained the public purpose motivating a sale: endowing the funds to support the College's students and programs, particularly through the Sound the Siren campaign. The offer presented today is higher than the remaining face value of the leases; higher than the net present value of the leases; and will support a stronger return on investment rather than only investing the funds paid for the Foundation license.

This month, the College is submitting this item for information only and will also present the offer to the Foundation Finance Committee prior to consideration by the Foundation Board of Directors.