understandings that relate to the competitive bidding process. Bidders will also be required to certify that they have not entered into any explicit or implicit agreements, arrangements, or understandings with any parties, other than those identified, regarding the amount of their bid, bidding strategies or the particular properties on which they will or will not bid.

32. The Second Report and Order deals with several issues regarding eligibility criteria and general rules governing the award of licensing preferences to certain designated entities, i.e. minority groups and women. In keeping with the general parameters set forth in PR Docket 93-253, the Second NPRM in the current docket proposed specific measures and eligibility criteria for designated entities in the 4660-4685 MHz service, designed to ensure that such designated entities are given the opportunity to participate both in the competitive bidding process and in the provision of service in the 4660-4685 MHz band. The Commission sought comment on these proposals, and specifically on identifying special provisions tailored to the unique characteristics of the service or services that might be offered in the 4660–4865 MHz band, in order to create meaningful incentives and opportunities in the service for small businesses and businesses owned by minorities and/or women.

33. In the *Second NPRM*, the Commission discussed and sought comment on these special provisions for

designated entities:

(1) for businesses owned by women and minorities the Commission proposed that installment payments be available on all licenses and that a bidding credit of 25 percent be available on one of the five proposed spectrum blocks;

(2) for small business the Commission sought comment on allowing a reduced down payment requirement coupled with installment payments;

(3) the Commission did not believe that special preferences are needed to ensure adequate participation of rural

telephone companies;

- (4) the Commission sought comments on reducing upfront payments to encourage participation in the auction, particularly by all eligible designated entities; and
- (5) the Commission sought comment on whether and how to designate one 5 MHz spectrum block as an "entrepreneurs' block."
- 34. The Commission also discussed and solicited comments on issues of the eligibility criteria for designated entities and provisions to prevent unjust

enrichment by trafficking in licenses acquired through the use of bidding credits or installment payments.

35. The Commission concludes that its plan to award licenses for the 4660-4685 MHz band based on EA regions, will substantially enhance the opportunities for designated entities to participate in the GWCS license auction. Partitioning of licenses will further increase the opportunities for designated entities. Based on our experience in the other auctions held to date, the Commission is also adopting bidding and payment provisions that will help ensure that the auction assigns licenses to the bidders who value them most highly, while encouraging the participation of designated entities. Specifically, the Commission will permit small business licensees to make their payments in installments computed at a reasonable rate of interest (the rate for ten year U.S. Treasury obligations plus 2.5 percent). Small businesses will in addition be permitted to make reduced down payments and interest-only payments in the first two years of the license term, and will be allowed a 10 percent bidding credit on all blocks of spectrum. The Commission also adopt rules to prevent unjust enrichment from bidding preferences. The Commission does not adopt an entrepreneurial set aside, but will apply the designated entity bidding preferences to all five spectrum blocks.

36. The Commission limit eligibility for bidding credits, installment payments and reduced down payments to small businesses, including those owned by members of minority groups and women. The Commission lacks the information necessary to set different eligibility criteria for minority and women-owned entities that do not meet our small business size standards in order to achieve the goals of Section 309(j) in the GWCS services. By providing credits on all blocks, licensing the blocks based on EA geographic areas, and permitting disaggregation and partitioning, the Commission will create substantial opportunities for all small businesses, including those owned by minorities and women.

37. The Second NPRM requested comment on whether the Commission should utilize the Small Business Association net worth/net income definition of a small business (a net worth not in excess of \$6 million with average net income after Federal income taxes for the preceding years not in excess of \$2 million) we adopted in the Competitive Bidding Second Report and Order or, in the alternative, a gross revenue standard like that used in the

broadband PCS context (average gross revenues for the three preceding years not in excess of \$40 million). The Commission also proposed to apply the same affiliation and attribution rules for calculating revenues that we have previously adopted in the PCS context.

38. The Commission finds that the GWCS overall may be similar to broadband PCS in its requirements for capital and adopts the small business definition adopted there, namely any firm, together with its attributable investors and affiliates, with average gross revenues for the three preceding years not in excess of \$40 million. The Commission also applies to 4660–4685 MHz applicants the same affiliation and attribution rules for calculating revenues previously adopted in the PCS context.

39. On the issues of installment payments and down payments, the Commission believes that ensuring the opportunity for small businesses to participate in providing service in the 4660–4685 MHz band is important for the telecommunications industry. The

the telecommunications industry. The record in PR Docket 93-253 indicates that small businesses have not become major participants in telecommunications. The record in that docket also shows that small businesses have particular difficulties obtaining capital. As discussed in the Second NPRM, it appears that installment payments may have been more effective than bidding credits in attracting capital in the regional narrowband PCS auction, possibly because installment payments shift some of the financial risk of future failure to the Government. Therefore, the Commission adopts installment payments for any GWCS licensee meeting the definition of a small business.

- 40. Under this approach, small business licensees may elect to pay their winning bid amount (less upfront payments) in installments over the ten year term of the license, with interest charges to be fixed at the time of licensing at a rate equal to the rate for ten year U.S. Treasury obligations plus 2.5 percent. Installment payments would be due quarterly on the anniversary of the day the license was granted. Timely payment of all installments would be a condition of the license grant and failure to make such timely payments would be grounds for revocation of the license.
- 41. The Commission also adopts additional payment preferences to further reduce the capital needs of small businesses. Small business licensees will be permitted to make interest-only installment payments during the first two years of the license. The