

MEMORANDUM

October 16, 2015

TO: The Howard University Community

FROM: Wayne A. I. Frederick, M.D., MBA
President

SUBJECT: Howard University and the Federal Communications Commission Broadcast
Incentive Auction

Howard University is currently considering its options concerning the Broadcast Incentive Auction to be conducted by the Federal Communications Commission (FCC) and scheduled to commence on or after March 29, 2016. The Incentive Auction is a strategy mandated by Congress to purchase spectrum owned by television stations, which will be sold to wireless companies who need more spectrum to accommodate increased use of wireless internet services. The FCC recently announced the application procedures and the December 18, 2015 deadline to file an application to participate in the Incentive Auction.

Howard University has the rights to valuable spectrum, which is utilized by its public television station WHUT. Through the auction, there is the potential for the University to realize significant income as a result of the sale of its spectrum. The upcoming Incentive Auction of television station spectrum will be a unique marketplace. It is unlikely to occur again.

Confronted with that opportunity, the University must make a strategic decision on whether and how it wishes to participate in the auction. Options include:

- 1) Sell the WHUT spectrum and relinquish its FCC noncommercial broadcast license
- 2) Transition from current UHF to VHF spectrum
- 3) Partner or share broadcasting with another television broadcaster
- 4) Not participate in the auction at all.

Although the FCC provides stations each of these options, its rules do not permit stations to publicly state which of the first three options they will choose. The rules permit a station to state whether it has applied to participate in the auction, but not how it will participate. If Howard applies to enter the auction, we will do so with a clear strategy.

It is also important to note that the Incentive Auction is a reverse auction. All television stations that participate in the auction will be competing against each other to sell their spectrum to the FCC. Under the auction rules, the opening bid value, established by the FCC, will descend as the auction proceeds. The opening bids represent the maximum possible payout to any broadcaster, and prices will be driven down over multiple rounds through a competitive bidding process. Therefore the opening bid price will vary considerably with the final sale price, which will probably end up as a fraction of the starting price.



Actual proceeds depend on a number of factors regarding participation of other broadcasters, and that is not anything that Howard University can influence or control. As a result, the starting price ranging from \$461 million to \$184 million published by the FCC for the WHUT spectrum is not expected to be anywhere close to what a final closing sale price would be as a result of the reverse auction.

The FCC has made a commitment to maintain confidentiality about all stations that choose to participate in the auction. However, a station can announce its intention to apply to participate in the auction. Howard University will keep its stakeholders informed when it makes a decision in early December as to whether or not it will apply to participate in the auction.

Howard University must consider the significant financial opportunity presented with the Spectrum Auction. At the same time, we will consider the value that WHUT adds to the experiential learning opportunities for students and faculty in our School of Communications and College of Engineering, and the program and public service opportunities we provide through WHUT to its loyal viewers.