



**Advisors and Investors in the Media and
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NIA 2006

The Financials: Spectrum Value in the 2.5 GHz Band

Kim Randolph

Financial Analyst

BIA Financial Network Inc.

Chantilly, VA

krandolph@bia.com

San Antonio, TX

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About BIAfn

- In business since 1983
- Financial advisory and consulting services for the media and communications industries
- Leading communications appraisal and valuation firm
 - Strategic and Financial Consulting
 - Media Information Resources
 - Dataworld® Services
 - Strategic Advisory Group
 - Investment banking services
 - Mezzanine fund



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Consulting Services

An expert in media and communications business valuations and strategic advisory services

- Performed over \$90 billion worth of valuations
- Concluded more than 4,000 engagements
- 22 years of knowledge and experience

Financial

- Fairness Opinions
- Fair Market Valuations
- Purchase Price Allocations
- Operational Due Diligence
- Litigation Support

Strategic

- Business Plans & Modeling
- Market & Economic Analysis
- Feasibility & Risk Assessments
- Operational Benchmarking & Planning



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EBS/BRS Spectrum Valuation

- Have been valuing the spectrum for more than 10 years
- Valued nearly \$200 million worth of EBS/BRS spectrum since 2004
- Experience in valuing both EBS and BRS Licenses
- Excess Capacity Valuations
- Estimated Lease Payments



Topics

- Value Trends
- Factors Influencing Future Value
- Estimating Spectrum Value – Case Study
- Lease Values
- Evaluating Lease Offers



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EBS/BRS Value Trends: 2000 - Present

2001: Rule Changes

- Mobile allocation

2003: NPRM/Bankruptcies

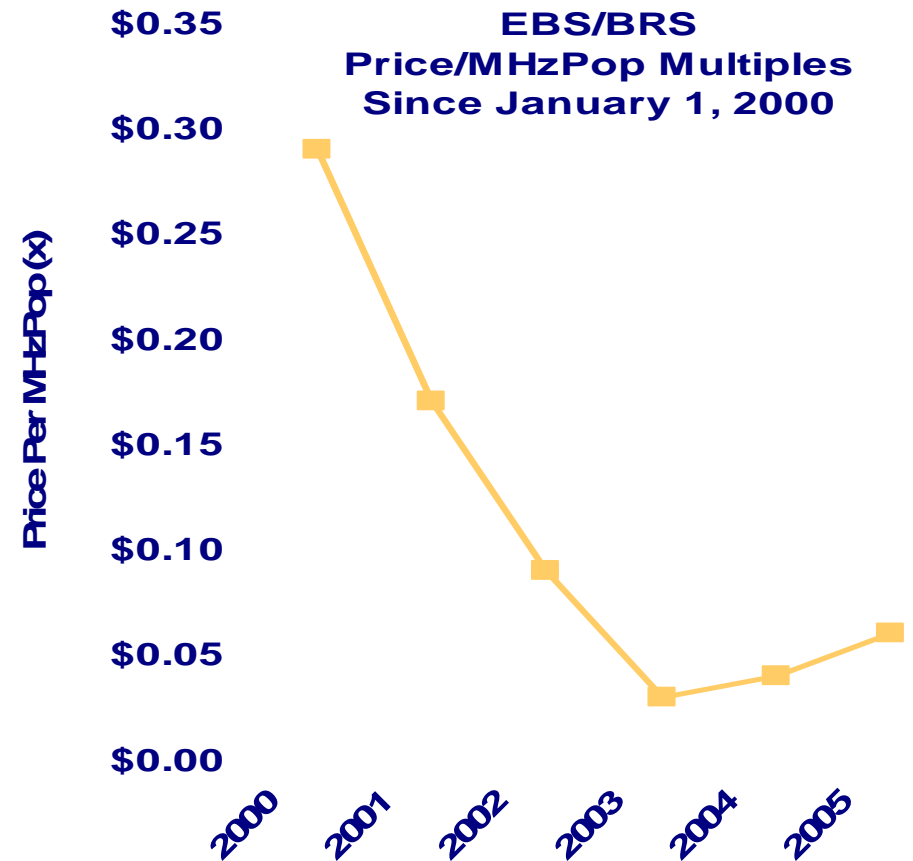
- NPRM announced
- WorldCom bankruptcy
- Nucentrix bankruptcy

2004: New R&O Adopted

- Cellular type services

2005: New Rules Effective

- Timetable begins



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Future Value – *What factors will influence value?*

- Continued investment from the commercial sector
 - Operators
 - Equipment vendors
- Competition
- Spectrum supply and demand
- Consumer acceptance



Case Study

- **Background (Hypothetical Scenario):**
 - University of Virginia (UVA) has the rights to the license of Station A.
 - Station A represents the B Group Licenses in Charlottesville, VA.
 - UVA is interested in leasing out their excess capacity.
 - UVA has contracted BIA to assist in answering the following questions:
 - What is the spectrum worth?
 - What kind of monthly/annual lease payments should be expected?
 - Who else might be interested in leasing the spectrum?

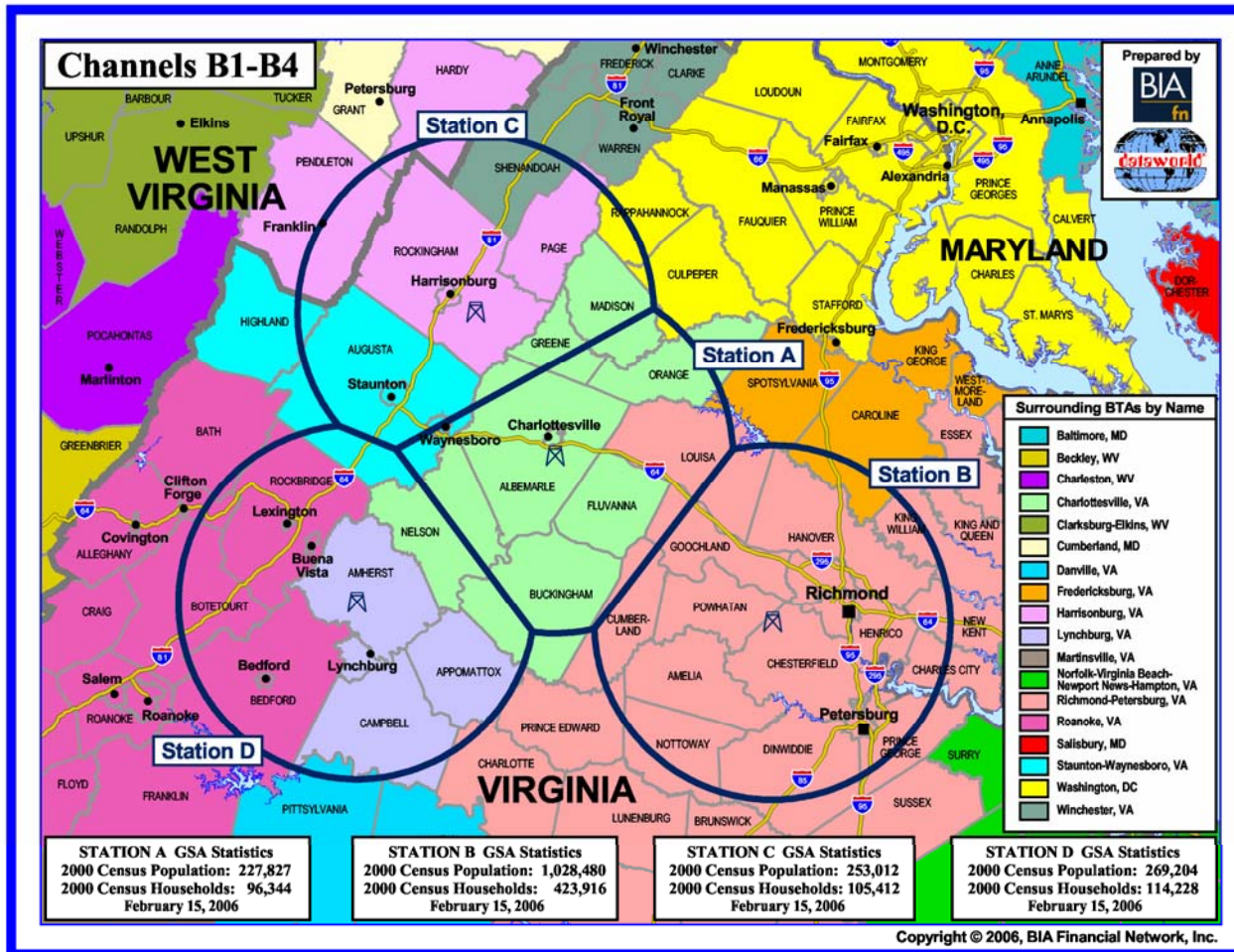


Steps in Valuing an EBS License

1. Determine primary value drivers
2. Calculate a price/MHzPop multiple
3. Adjust multiples for market size and economic indicators of the market
4. Arrive at a new adjusted price/MHzPop multiple
5. Calculate the estimated value of the FCC license
6. Calculate estimated lease payments



Determine Primary Value Drivers



Pops served =
227,827

Total MHz =
22.5

Total Excess Capacity =
21.4



Population Adjustments

- 1.8% CAGR in Population in GSA Since 2000 Census
 - Adj. GSA Pops as of 1/1/06 = 253,770





Comparable Sales Analysis: Price/MHzPop Multiples

- Review of comparable sales results in an average price/MHzPop multiple of \$0.032.
- Marketability adjustment to compare BRS and EBS transactions



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Economic Indicators

Economic Indicators (2005-2010)

	C'ville Market	Nation
HH Income > \$75K	14.5%	16.4%
Total RS Growth	3.1%	3.2%
Avg HH RS (2005)	\$35,929	\$37,890
Total EBI Growth	4.0%	3.2%
Avg HH EBI (2005)	\$49,517	\$51,284



Market Size Adjustments

- Look to PCS Auction Data
- Charlottesville BTA
 - 30% premium based on relative differences in market sizes
 - Adjusted price/MHzPop multiple = \$0.042



Value Conclusion

100% of Spectrum

$$\text{Est. Value} = \$0.042 \times 22.5 \times 253,770$$

$$\text{Est Value} = \$238,000$$

95% of Spectrum

$$\text{Est. Value} = \$0.042 \times 21.4 \times 253,770$$

$$\text{Est Value} = \$226,300$$



Lease Payments

\$25,000 upfront, 30 year lease:

Discount:	Annual (\$)	Monthly (\$)	Total Over Lease (\$)	% of Total
4.77%	9,211	768	170,379	75.3%
6.77%	13,352	1,113	194,589	86.0%
8.77%	17,463	1,455	208,128	92.0%
10.77%	21,549	1,796	215,780	95.4%

\$25,000 upfront, 15 year lease:

Discount:	Annual (\$)	Monthly (\$)	Total Over Lease (\$)	% of Total
4.77%	8,423	702	113,806	50.3%
6.77%	12,615	1,051	141,488	62.6%
8.77%	16,787	1,399	162,172	71.2%
10.77%	20,940	1,745	177,508	78.4%



Evaluating Lease Offers

- Upfront payments
- Monthly Royalty Payments
 - Fixed
 - % Of Revenue
- Discounting (Assessing Risk)





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Thanks!

Kim Randolph
Financial Analyst
BIA Financial Network
Chantilly, VA
krandolph@bia.com
(703) 802-2993