

**STATEMENT OF
COMMISSIONER JONATHAN S. ADELSTEIN**

Re: Amendment of Part 1 of the Commission's Rules – Competitive Bidding Procedures; Second Order on Reconsideration of the Fifth Report and Order; WT Docket No. 97-82

Soon after joining the Commission, I was pleased to work with the Chairman and the Wireless Telecommunications Bureau to adopt a narrow exemption from the auction attribution rules for rural telephone cooperatives to reflect the unique corporate and governance structure of our nation's cooperatives. These cooperatives play a critical role in ensuring that the latest telecommunications technologies are deployed in rural America.

Consistent with the request of petitioners at that time, we adopted a new rule that does not attribute the gross revenues of the affiliates of a cooperative's officers and directors when determining revenue levels for bidding credits provided that the cooperative meets specific conditions, one of which is tax-exempt status. The bottom line is that the exemption was intended to ensure that cooperatives are not unnecessarily denied access to bidding credits at upcoming spectrum auctions.

It now appears that our tax-exempt condition has the unintended consequence of disqualifying certain rural telephone cooperatives that provide telecommunications services to rural consumers who are not members of the cooperative. If a cooperative derives too much income from these ventures, it can lose its tax-exempt status, which would potentially jeopardize its ability to receive bidding credits.

The item rightly concludes that the tax-status of a cooperative does not determine whether or not it is a *bona fide* cooperative. Indeed, we want to encourage the provision of advanced telecommunications services to rural America, and cooperatives may be particularly well situated to extend their service offerings beyond their member shareholders.

Consequently, I am very pleased to support the decision to put in place a revised standard for the exemption. Our decision promotes the interests of cooperatives in expanding the scope of their telecommunications services while still ensuring that the benefits of this important exemption are limited to *bona fide* cooperatives. I thank the Bureau staff for resolving this unique issue by crafting an equitable resolution that will continue to promote the deployment of the latest wireless technologies in rural America.