

Microsoft Outlook

From: Henry Goldberg <(b)(6)>
Sent: Friday, January 14, 2011 3:09 PM
To: Weiser, Philip J.
Cc: Kohlenberger, Jim
Subject: getting battered

Importance: High

Phil,

Press reports such as below are leading to big problems with investors, present & potential, customers, Sprint, *et al.* I'll call you to see if there's anything NTIA can do with the press on background to calm the waters.

Also, the FCC is sending a re-drafted order and our draft letter setting out a "condition" on our grant that we think will not compound an already bad perception in the marketplace. It would be good if NTIA can accept it on a quick turn-around.

Thanks,

Henry

LightSquared faces roadblock over GPS interference

by Kevin Fitchard January 14th, 2011

LightSquared has encountered a few stumbling blocks on its way to building the first nationwide hybrid mobile broadband network. LightSquared initially received FCC permission to use its satellite frequencies to deploy a dual-mode satellite-long term evolution (LTE) network, but another government agency has since stepped in its path. According to Reuters, the National Telecommunications and Information Association (NTIA) earlier this week sent a letter to the FCC saying that the terrestrial base station-centric network could create interference problems with the global position system (GPS) satellite network.

What appears to be at issue isn't LightSquared's original hybrid satellite-terrestrial service, but its request for a waiver from the FCC to offer terrestrial-only service to its wholesale customers. If granted, the waiver would essentially convert what was once spectrum entirely reserved for satellite communications into U.S. mobile wireless frequencies. In an effort to provide more mobile broadband spectrum for ever increasing wireless data demand, the FCC has appeared open to such wholesale conversions of band use. GPS, however, is a critical service in the mobile industry along with dozens of other industries. Any potential interference with those navigational bands could prove to be a major stumbling block.

In an earlier letter to the NTIA, LightSquared has offered to set up and fund with \$20 million a commission and industry group that would monitor the technology and deployment of its LTE network and ensure any interference sources were mitigated. The group would consist of its network vendor Nokia Siemens Networks,

and chipset vendors, device manufacturers, academic experts and user groups spanning both the telecom and GPS industries. The FCC, NTIA and other federal agencies would be invited to observe the group's progress, and monthly reports would be sent to those agencies to update them on the group's efforts.

The terrestrial-only issue is an important one for LightSquared, since if it is forced to offer only hybrid phones the cost of devices and chipsets would shoot up dramatically. Many wholesalers will be looking to offer service focused on the major metro markets, which is where LightSquared's terrestrial service will be located.

While dealing with regulators, LightSquared may also be facing challenges from its investors. LightSquared's primary investor, the Hedge Fund Harbinger Capital, has recently seen a spate of staff departures and a shrinking of capital as nervous investors withdraw their funds, [according to Reuters](#). Harbinger has so much of its capital tied up in LightSquared—an estimated 40%—that Harbinger is being forced to liquidate its other holdings to cover the withdrawing stakeholders. LightSquared's initial launch of 20 markets in 2012 is already funded, and it has already [launched its first satellite](#), but it will need to go back to Harbinger or other investors to get funds for the rest of its build out.

FRIDAY, JANUARY 14, 2011 COMMUNICATIONS DAILY—

FCC Action Still Unclear

Regulatory Slowdown Could Mean Trouble for LightSquared Investment

NTIA's voicing spectrum interference concerns on LightSquared business plans in a letter to the FCC Wednesday (CD Jan 13 p3) may hurt the company's ability to begin service relatively quickly as a 4G provider, said satellite industry executives. They said it's still unclear how the FCC will handle LightSquared's waiver request. A delayed approval could create major development worries for LightSquared, the executives said. The NTIA letter amounts to a strong brake on what has been a relatively quick regulatory process for LightSquared, they said. LightSquared is seeking FCC approval of its plan that could allow terrestrial-only service in spectrum currently allocated for mobile satellite services use.

The FCC is "reviewing LightSquared's waiver request and, as we would with any request, we would ensure that any approvals would not result in harmful interference to current licensed users," said Chief Julius Knapp of the Office of Engineering and Technology. "We look forward to working with all interested parties and we remain committed to moving forward with an open and transparent process that will consider all concerns raised publicly."

NTIA's objections complicate LightSquared's efforts to find partners, said Tim Farrar, president of TMF Associates. LightSquared will likely need to spend about \$1 billion this year on the rollout of its network to meet the FCC's current milestone requirements, he said. The company is running now on the about \$2 billion it has already raised, but will need to secure one or more major partners soon, he said.

The FCC requires the LightSquared network to serve 100 million people by the end of 2012, something that's in real jeopardy if the commission decides long-term study is needed before the waiver is granted, Farrar said. The FCC could also delay the milestones, particularly since the rollout is being delayed by regulatory concerns, but that may not allay investor concerns, he said. The NTIA letter "just adds to the challenge of convincing partners that this is a low risk option," he said. Farrar said he thinks it's unlikely the FCC can grant the waiver in the face of NTIA's concerns without further study of the spectrum interference issue beforehand.

Many satellite executives we interviewed said they're still uncertain as how the FCC will handle LightSquared's waiver request. On one hand, NTIA explains that LightSquared's spectrum use could have serious ramifications on the public safety spectrum needs, a difficult concern to overcome, said executives. NTIA also presents

a pathway allowing the FCC to move forward if it decides to do so, pushing for a process that would ensure interference

issues are resolved, others said. NTIA lists the Defense Department, the Department of Transportation and the Department of Homeland Security as agencies that wish the FCC would delay their decision pending more study on the effects of LightSquared's service. Notably, NTIA didn't go so far as to request a rulemaking notice on the matter. The Defense Department did in its letter of spectrum concerns sent to NTIA Administrator Larry Strickling on Dec. 28.

Some opposed to the waiver voiced dissatisfaction with the NTIA's approach, saying they wished it had followed the DOD's lead in asking for a rulemaking. To some, the NTIA letter leaves open the possibility of LightSquared, in conjunction with the FCC and NTIA, taking up the testing on its own. LightSquared CEO Sanjiv Ahuja sent a letter last week to Strickling that outlined the company's willingness to undergo six months of testing, including \$20 million to fund the group. That letter is footnoted in NTIA's letter to the commission. The possibility of allowing LightSquared to undertake the testing is the equivalent of "putting the regulatory fox in charge of law and order in the chicken coop," said a satellite industry executive. — *Tim Warren*