

(b) (5)

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**From:** Rick Kaplan  
**Sent:** Tuesday, September 20, 2011 9:49 PM  
**To:** Edward Lazarus; Josh Gottheimer; Paul de Sa  
**Cc:** Mindel DeLaTorre; Julius Knapp  
**Subject:** RE: TMF's blog a couple of hours ago

(b) (5)

-----Original Message-----

**From:** Edward Lazarus  
**Sent:** Tue 9/20/2011 9:45 PM  
**To:** Rick Kaplan; Josh Gottheimer; Paul de Sa  
**Subject:** Re: TMF's blog a couple of hours ago

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**From:** Rick Kaplan  
**To:** Josh Gottheimer; Edward Lazarus; Paul de Sa  
**Sent:** Tue Sep 20 20:33:08 2011  
**Subject:** Fw: TMF's blog a couple of hours ago

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**From:** John Leibovitz  
**To:** Rick Kaplan  
**Sent:** Tue Sep 20 17:39:27 2011  
**Subject:** Fw: TMF's blog a couple of hours ago

Fyi

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**From:** Jennifer Manner  
**To:** John Leibovitz  
**Sent:** Tue Sep 20 17:36:43 2011  
**Subject:** FW: TMF's blog a couple of hours ago

09.20.11

LightSquared and the FCC's \$10B problem  
<<http://tmfassociates.com/blog/2011/09/20/lightsquared-and-the-fccs-10b-problem/>>

Posted in Financials <<http://tmfassociates.com/blog/category/financials/>> , LightSquared  
<<http://tmfassociates.com/blog/category/operators/lightsquared/>> , Operators  
<<http://tmfassociates.com/blog/category/operators/>> , Regulatory  
<<http://tmfassociates.com/blog/category/regulatory/>> , Spectrum  
<<http://tmfassociates.com/blog/category/spectrum/>> at 12:55 pm by timfarrar

<<http://tmfassociates.com/blog/wp-content/uploads/2011/09/small-beer.jpg>>

Despite, Mr Falcone's attempts yesterday  
<<http://www.foxnews.com/politics/2011/09/19/billionaire-backer-disputes-charges-that-lightsquared-sought-white-house-help/>> to dismiss the January 2011 FCC waiver as "irrelevant" to the question of GPS interference, it seems very likely to become a central feature in the Congressional investigations that the House Oversight Committee is now initiating <<http://www.commentarymagazine.com/2011/09/20/issa-lightsquared-investigation/>>

A former FCC Commissioner has now told The Daily Beast  
<<http://www.thedailybeast.com/articles/2011/09/19/lightsquared-second-witness-rejects-white-house-testimony-guidance.html>> that the "decision from January was an unprecedented and surprising development. That they would make this decision at the bureau level and not at the full commission level is just stunning." However, even though LightSquared told the FCC <[http://licensing.fcc.gov/myibfs/download.do?attachment\\_key=861962](http://licensing.fcc.gov/myibfs/download.do?attachment_key=861962)> just before the waiver was granted that "grant of this application is an essential building block for our network and requires quick, favorable action so that we may continue to roll out our network" it appears there is very little understanding of why the waiver was so important for LightSquared.

Fundamentally, as Commissioner Furchtgott-Roth pointed out, "the Commission said LightSquared could use its license for exclusive terrestrial purposes", which meant that the spectrum rights would be considered (and valued) as equivalent to terrestrial spectrum, allowing LightSquared to raise additional funds to build out its network. In fact that is exactly what LightSquared then proceeded to do, by raising \$586M, secured against its spectrum assets, in February 2011  
<<http://www.fiercewireless.com/story/lightsquared-secures-586m-loan-lte-network/2011-02-22>> .

So how much did the January 2011 waiver potentially increase the value of LightSquared's spectrum assets by (assuming, as both LightSquared and the FCC did, that the GPS interference issues would be overcome)? Well LightSquared itself provided the answer to that question, in a report it commissioned from Brattle Group <[http://www.brattle.com/\\_documents/UploadLibrary/Upload957.pdf](http://www.brattle.com/_documents/UploadLibrary/Upload957.pdf)> in June 2011. The report states specifically (in footnote 2) that "the economic value for LightSquared's 40 MHz of nationwide L band spectrum dedicated to terrestrial broadband is approximately \$12 billion". This stands in stark contrast to Brattle's assessment (on page 8-9) that "satellite licenses [would be] worth about \$2 billion [for] approximately 50 MHz of commercial satellite spectrum" which "is consistent with other satellite spectrum transactions". In particular:

"the bankrupt MSS provider TerreStar Networks Inc. is expected to be bought at auction for \$1.37 billion. Assets of a similar bankrupt MSS operator, DBSD North America, were purchased for \$1.4 billion in March. The major assets of both companies are licenses for 20 MHz of S-Band spectrum."

Thus Brattle Group's analysis implies directly that after the January 2011 waiver, which allowed it to be "dedicated to terrestrial broadband", LightSquared's 40MHz of L-band spectrum was worth \$12B compared to the (just over) \$2B that DBSD and TerreStar's combined 40MHz of spectrum (which is similarly situated, but is still subject to the FCC's ATC regulations) was worth.

Once this \$10B windfall is more widely recognized, I think it is going to represent an enormous political problem for both LightSquared and the FCC Chairman during the upcoming Congressional hearings, making Solyndra's \$535M loan look like small beer. After all in July 2010 current FCC Commissioner Copps noted in conjunction with the MSS NPRM/NOI <[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/FCC-10-126A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-10-126A1.pdf)> that he "appreciate[d] the willingness of my colleagues to raise questions regarding the need for any mechanisms-such as spectrum fees-to compensate the American people for the terrestrial use of the public spectrum resource", which is exactly why January's action (which was not even brought before the full Commission) was such "an unprecedented and surprising development".