

**Coalition to Save Our GPS Clips**  
**February 20, 2012**

The [Wall Street Journal](#), [New York Post](#) and [Reuters](#) report that Phil Falcone told investors on a conference call Friday morning that he and his advisers are hard at work considering a "wide-range" of options for pushing forward with LightSquared. According to people who listened to the call, Falcone defended his decision to invest billions of dollars in LightSquared, arguing that the political and technical problems now threatening the company could not have been foreseen.

[Bloomberg](#), [The Wall Street Journal](#), [Reuters](#), [Inside GNSS](#), [The Telegraph](#) (UK), [Light Reading](#) and others report that Phil Falcone and Harbinger Capital Partners were sued by Lili Schad who invested \$4 million with Harbinger, and now claims she and others were misled about the fund's decision to put most of the money they invested into LightSquared. "Had plaintiff known that defendants would concentrate the fund's investments in LightSquared or known of the regulatory obstacles the company faced, she would have refrained from investing in the fund or immediately sought to withdraw her investment from the fund," Schad said in the complaint.

[Reuters](#), [The Guardian](#) (UK) and [PC World](#) report that Inmarsat issued a default notice to LightSquared, saying it failed to make a \$56.25 million payment under the companies' spectrum sharing agreement. [LightSquared](#) issued a statement that did not acknowledge its payment default, but says it "has raised several matters that require resolution before the first phase [of the companies' 2007 agreement] comes to a close. The terms of the agreement allow for additional time to resolve pending questions before phase one is complete and final payment is due."

An op-ed in the [Wall Street Journal](#) by Holman Jenkins is sympathetic to LightSquared, saying that the company was prepared to compromise but that the GPS industry, which the piece argues has "taken effective ownership" of adjacent spectrum, did not want the expense of redesigning devices to withstand interference.

An op-ed in [The Independent](#) (UK) argues that the FCC made the right decision in announcing it would block LightSquared from moving forward. "Even if a fix were technically feasible, the FCC would still be within its rights to favour a well-established, highly-profitable, widely-used and security-critical industry over an unproven start-up," the piece says.

An article in [The Wall Street Journal](#) notes that Harbinger Group said Francis T. McCarron will resign as the company's chief financial officer, effective April 30, and that it expects to appoint a successor by that time.

[Broadcasting & Cable](#) reports that U.S. Rep. Anna Eshoo (D-Calif.) was asked about LightSquared during a C-SPAN interview where she said she thought LightSquared's was an exciting proposal, and said she trusted that the FCC carried out unbiased testing and that the decision was based on science and engineering.

A cite list and links to the full text of these and other articles follow.

1. Bloomberg, Airwaves Sales Sought by AT&T, Verizon Approved by Congress, February 17, 2012, 1:03 PM EST, By Todd Shields

2. Financial Times, Last updated: February 17, 2012 6:46 pm, Falcone's mobile fight flounders, By Dan McCrum and Paul Taylor in New York
3. Popular Mechanics, The Wireless Future Looks a Little Darker Without LightSquared, By Mark Wilson, February 17, 2012 1:50 PM
4. Forbes, INVESTING | 2/17/2012 @ 2:35PM, Sprint's Lucky to Have Clearwire While LightSquared's LTE Plans Flounder, Trefis Team, Contributor
5. New York Post, Falcone defends LightSquared venture amid government concerns, THE WALL STREET JOURNAL/NEWSCORE, Last Updated: 2:46 PM, February 17, 2012, Posted: 2:12 PM, February 17, 2012
6. Broadcasting & Cable, Eshoo: Subcommittee Not Yet Ready for Cybersecurity Bill, Glad SOPA was stopped in its tracks, but added that the "hijacking of American genius" was a problem that still needed to be resolved, By John Eggerton -- Broadcasting & Cable, 2/17/2012 3:15:12 PM
7. Bloomberg, Falcone, Harbinger Capital Sued by Investor Over LightSquared Investment, By Bob Van Voris and Patricia Hurtado - Feb 18, 2012 12:01 AM ET
8. DSL Reports, LightSquared Lawyers Up For FCC Assault, While Investors Sue Falcone For "Squandering" Billions, by Karl Bode, 02/18/2012
9. Inside GNSS, Both Sides Now: Harbinger, LightSquared, GPS Interference, and Lawsuits, February 17, 2012
10. The Wall Street Journal, BUSINESS WORLD FEBRUARY 17, 2012, 7:00 P.M. ET, How Phil Falcone Was LightSnared, An entrepreneur learns a lesson about interest groups vs. innovation., By HOLMAN W. JENKINS, JR.
11. The Independent (UK), Stephen Foley: Block on LightSquared seems the right decision, STEPHEN FOLEY, SATURDAY 18 FEBRUARY 2012
12. Light Reading, Report: LightSquared Fund Sued By Investors, FEBRUARY 17, 2012 | Dan Jones
13. Reuters, Falcone sticks with plan, hit by lawsuit, By Svea Herbst-Bayliss and Sinead Carew, Fri Feb 17, 2012 7:49pm EST
14. Computer World, LightSquared owner explores lawsuit vs FCC, GPS industry, Philip Falcone of Harbinger Capital partners might sue the FCC and GPS industry or swap spectrum with the Defense Department, By Stephen Lawson, February 17, 2012 04:51 PM ET
15. The Telegraph (UK), Harbinger Capital's Philip Falcone sued by investors over \$3bn broadband bet, By James Quinn and Richard Blackden 11:00PM GMT 18 Feb 2012
16. Forbes, Tim Worstall, Contributor, TECH | 2/19/2012 @ 12:50PM, Congress Approves Spectrum Sales: Hurrah!
17. Federal Times, News Digest: Feb. 20, FCC rejects LightSquared 4G network
18. Ars Technica, Why LightSquared failed: It was science, not politics, By Jon Brodtkin | Published 02/19/2012
19. Reuters, LightSquared defaults on Inmarsat payment, 14:06:06 BST, LONDON | Mon Feb 20, 2012 7:52am GMT
20. The Guardian (UK), Inmarsat drops after US partner LightSquared defaults on \$56m payment, Satellite operator issued default notice after struggling LightSquared fails to make milestone payment, Posted by Nick Fletcher, Monday 20 February 2012 06.04 EST
21. MarketWatch, PRESS RELEASE, Feb. 20, 2012, 8:22 a.m. EST, LightSquared Statement Regarding Inmarsat Notice
22. PC World, CELL PHONES / VOIP Feb 20, 2012 9:20 am, LightSquared Defaults on \$56M Payment to Spectrum Owner Inmarsat, By Peter Sayer, IDG News

\*\*\*Excerpts/Links to Full Text of Articles\*\*\*

**Bloomberg, Airwaves Sales Sought by AT&T, Verizon Approved by Congress, February 17, 2012, 1:03 PM EST, By Todd Shields**

(Updates in first paragraph with measure's passage.)

Feb. 17 (Bloomberg) -- AT&T Inc. and Verizon Wireless moved a step closer to obtaining additional airwaves needed to meet surging consumer demand for smartphones as U.S. lawmakers passed a measure that authorizes sales of wireless spectrum.

The airwaves auctions are part of a broad accord reached yesterday by House and Senate members to sustain a payroll tax cut. The sales would raise at least \$15 billion for the U.S. Treasury, Representative Greg Walden, an Oregon Republican, said in an interview. Both houses of Congress approved the legislation today, sending it to President Barack Obama for his expected signature.

"By freeing up airwaves to be used to build the next generation wireless networks, this package will support massive job creation and untold technological breakthroughs," Representative Fred Upton, a Michigan Republican who heads the Energy and Commerce Committee, said in an e-mailed statement.

The auctions proposed by the Obama administration would sell rights to airwaves voluntarily surrendered by television stations. TV companies would keep a portion of the proceeds. Participating broadcasters could leave the business or transmit using other airwaves. Wireless companies would use the airwaves to support mobile phones, tablets and other devices.

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**Financial Times, Last updated: February 17, 2012 6:46 pm, Falcone's mobile fight flounders, By Dan McCrum and Paul Taylor in New York**

Philip Falcone has spent the last four years and more than \$2.9bn on the LightSquared project

Philip Falcone's attempt to vault from billionaire hedge fund manager into the stratosphere of satellite communications stumbled this week when the US government withdrew support for his plans to take on the mobile phone companies.

The investor has spent the past four years and more than \$2.9bn building LightSquared, which plans to use repurposed satellite airwaves to build a new 4G mobile network using the latest broadband technology.

Most of that cash was spent on the radio spectrum it would need to deliver a wholesale wireless service to commercial customers. Those customers would in turn offer services to consumers in direct competition with telecoms companies including Verizon Wireless and AT&T Mobile.

As part of a conditional approval of the scheme granted by the Federal Communications Commission a year ago, LightSquared was required to start building a network that could reach 100m consumers by 2012, and 260m within three years of that, what Mr Falcone called "the most aggressive network build out in the history of US wireless telecommunications".

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### **Popular Mechanics, The Wireless Future Looks a Little Darker Without LightSquared, By Mark Wilson, February 17, 2012 1:50 PM**

Because so many GPS receivers in the field cross over into LightSquared's band of spectrum, the FCC ruled that the firm's proposed 4G network would interfere with the navigation system.

Most gadgeteers gloss over Federal Communications Commission (FCC) approvals and wireless spectrum news. It's dry stuff. But there was a big development this week, as the FCC announced that it will block the rise of LightSquared's new 4G network, a decision that may impact data users (along with our wireless bills) for years to come.

#### **Who Is LightSquared, and What Happened?**

LightSquared had a plan. The firm, backed by billionaire Philip Falcone, was to license a piece of the wireless spectrum and use satellites and land antennas to build a 4G network of its very own. This network wouldn't be owned by the big carriers like AT&T or Verizon. Rather, any company interested in entering the market could license a chunk of it from LightSquared, providing a possible route for smaller companies and startups to compete with the enormous carriers.

LightSquared originally licensed its piece of the spectrum in 2004. In 2011, the FCC gave its tentative approval for LightSquared to begin an eight-year terrestrial build-out, in which the company would team with Sprint in a 15-year deal to share technology and costs. People liked the idea. LightSquared raised roughly \$3 billion in investments from Falcone's Harbinger Capital Partners and other firms within the last two years. Even Best Buy was a signed customer.

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### **Forbes, INVESTING | 2/17/2012 @ 2:35PM, Sprint's Lucky to Have Clearwire While Lightsquared's LTE Plans Flounder, Trefis Team, Contributor**

Are the lights finally out for troubled wireless provider Lightsquared? It seems so. The company's efforts to launch a wholesale LTE network seems to be on course for an early demise as regulators at the FCC refused to grant clearance for the network, citing interference issues with GPS receivers. [1] While this puts Clearwire's relationship with Sprint on a much stronger footing, it leaves Sprint with one less partner to meet its spectrum needs for its planned LTE layout. Sprint is scrambling to get its LTE network up and running in a few cities by the middle of this year, as rivals Verizon and AT&T continue to add more markets to their ever-expanding LTE footprint.

With the no. 1 and no. 2 telecom providers running ahead with their LTE plans, Sprint had decided to use the resources of a few other wholesale providers in addition to its own to aggressively build out LTE coverage and make up for lost time. But when it chose Lightsquared ahead of Clearwire – a company it not only has a majority stake in but is also its 4G WiMax network provider – in July of last year, the markets were shocked. Clearwire's stock fell almost 24% following the news. The company's statements

that followed in the coming months made it amply clear that Sprint was distancing itself away from Clearwire.

However, Sprint still needed Clearwire's WiMax network for its existing WiMax subscribers. So when Clearwire threatened to default on an interest payment in December last year, Sprint had to yield and Clearwire got itself a plum \$1.6 billion network sharing agreement that not only addressed its financial woes but also secured cash for its LTE buildout. (see Sprint Update: Clearwire Plays Chicken With Sprint on Debt Payments) Considering that the company's balance sheet was over-laden with debt, Sprint's management might have felt that they were pushed into a corner, but in hindsight, they couldn't be more relieved now.

Sprint will however have to fork up \$65 million now that chances of Lightsquared salvaging its LTE plans by a March deadline seem remote. With the company already having guided for an aggressive 2012 in terms of capital expenditures on its Network Vision Plan, it could have been better off without this. However, we believe that although the company may end up being a little poorer by the end of this quarter, it should be thanking its stars that it didn't put all its eggs in one basket, however fortuitously that may have been.

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**New York Post, Falcone defends LightSquared venture amid government concerns, THE WALL STREET JOURNAL/NEWSCORE, Last Updated: 2:46 PM, February 17, 2012, Posted: 2:12 PM, February 17, 2012**

Hedge fund titan Phil Falcone has told investors he's not backing down from his plan to launch a mobile broadband service.

On a Friday morning conference call, Falcone told investors in his fund that he and his advisers are hard at work considering a "wide-range" of options for pushing forward with LightSquared Inc.

On Tuesday, the Federal Communications Commission said it wouldn't allow the company to operate its network because of interference concerns.

People who listened to the hour-long call said Falcone defended his decision to pour billions of dollars from his hedge fund, Harbinger Capital Partners, into LightSquared. He argued that the political and technical problems that now threaten to derail his plan to launch a new wireless network could not have been foreseen, they said.

The people said Falcone remained defiant in light of the ruling, saying he strongly disagrees with the FCC. LightSquared is looking at ways to appeal the regulators decision, as well as other options, including a spectrum swap with the Department of Defense.

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**Broadcasting & Cable, Eshoo: Subcommittee Not Yet Ready for Cybersecurity Bill, Glad SOPA was stopped in its tracks, but added that the "hijacking of American genius" was a problem that still needed to be resolved, By John Eggerton -- Broadcasting & Cable, 2/17/2012 3:15:12 PM**

Rep. Anna Eshoo (D-Calif.), ranking member of the Communications subcommittee for the Energy & Commerce Committee, said she does not think the subcommittee is ready to introduce cybersecurity legislation.

"I don't think we're ready for a bill yet," she said in an interview for C-SPAN's Communicators series.

The Senate has introduced a bill, and Eshoo said she thought the Senate was "a little ahead of us" on this. She co-sponsored cybersecurity that came out of the Intelligence committee, but pointed out that was specific to the intelligence communities.

She pointed out her subcommittee had held its first cybersecurity hearing last week, and suggested it was still finding out what it didn't know. She called the hearing one of the most instructive she had ever been a part of, a point she made at the unusually bipartisan hearing as well.

She said while it was not ready, it needed to get ready, and added that she would work toward getting a cybersecurity bill passed this Congress, while recognizing that it is tough to get anything done in an election year.

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### **Bloomberg, Falcone, Harbinger Capital Sued by Investor Over LightSquared Investment, By Bob Van Voris and Patricia Hurtado - Feb 18, 2012 12:01 AM ET**

Feb. 16 (Bloomberg) -- Senator Charles Grassley, a Republican from Iowa, talks about Chinese Vice President Xi Jinping's visit to the U.S. and the Federal Communications Commission's decision to block LightSquared Inc.'s high-speed wireless network. He speaks on Bloomberg Television's "InBusiness with Margaret Brennan." (Source: Bloomberg)

Hedge fund manager Phil Falcone and his Harbinger Capital Partners were sued by a New York woman who claims she and others were misled about the fund's decision to put most of the money they invested into LightSquared Inc. (SKYT)

Lili Schad, a Wallkill, New York, resident who said she invested \$4 million with Harbinger, claiming she wasn't told that more than 60 percent of the partnership's money went into LightSquared, a company attempting to build a high-speed wireless network, according to a complaint filed yesterday in federal court in Manhattan.

Schad, who seeks to represent all the limited partners in Harbinger Capital Partners Fund I LP, also claims she wasn't informed that LightSquared's plan to build the network faced obstacles from U.S. regulators. The suit seeks unspecified damages.

"Had plaintiff known that defendants would concentrate the fund's investments in LightSquared or known of the regulatory obstacles the company faced, she would have refrained from investing in the fund or immediately sought to withdraw her investment from the fund," Schad said in the complaint.

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### **DSL Reports, LightSquared Lawyers Up For FCC Assault, While Investors Sue Falcone For "Squandering" Billions, by Karl Bode, 02/18/2012**

With the FCC this week refusing LightSquared a necessary waiver on spectrum conditions, the company's future isn't looking particularly bright. As expected, chief financial backer Phillip Falcone has lawyered up for a possible lawsuit against the FCC. The company is also exploring several options, most of which won't work. LightSquared is apparently trying to convince the Defense Department to swap spectrum they're unlikely to give up for LightSquared spectrum nobody wants. Again, LightSquared lacks the cash to wage any sustained battle on this front, and Falcone faces two pending inquiries by the SEC for unrelated financial infractions. He's also now being sued by a group of investors in Harbinger Capital Partners who claim the effort "squandered billions of dollars."

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### **Inside GNSS, Both Sides Now: Harbinger, LightSquared, GPS Interference, and Lawsuits, February 17, 2012**

No sooner had the Wall Street Journal published an article today (February 17, 2012) about Harbinger Capital hiring lawyers to consider suing the Federal Communications Commission (FCC) over the agency's latest action on LightSquared, but its principal now finds himself the subject of class action suit.

A New York City law firm today filed a class action lawsuit against Philip Falcone and his Harbinger Capital LLC on behalf of the hedge fund's limited partners, citing the Falcone's investment in LightSquared Subsidiary LLC.

The complaint, filed by Zamansky & Associates, alleges that the defendants breached contractual and fiduciary duties to the limited partners and made false and misleading statements in the course of soliciting investments in the fund and communicating with the limited partners.

The case, *Schad v. Harbinger Capital Partners LLC et al.*, No. 12-civ-1244, was filed in the United States District Court for the Southern District of New York, and has been assigned to U.S. District Judge Alison J. Nathan.

The Harbinger offering memorandum describes an investment strategy starkly different than the one Falcone actually pursued, the law firm alleges. Instead of following the strategy he had outlined, Falcone used the limited partners' funds to buy a controlling stake in SkyTerra, later renamed LightSquared, according to the complaint.

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### **The Wall Street Journal, BUSINESS WORLD FEBRUARY 17, 2012, 7:00 P.M. ET, How Phil Falcone Was LightSquared, An entrepreneur learns a lesson about interest groups vs. innovation., By HOLMAN W. JENKINS, JR.**

You perhaps have to go back to the railroad wars of the 19th century to find a parallel to the political travails and industrial ambition of Phil Falcone. One difference, however, is that the railroads got built.

Studies show that entrepreneurs tend to be irrationally optimistic. Mr. Falcone, a New York hedge fund manager, had taken control of a large swath of radio spectrum, previously set aside for a satellite phone business model that didn't pan out. He wanted to create a ground-based wireless network to compete with AT&T and Verizon.

The Federal Communications Commission, regulator of the nation's airwaves, had lately adopted as its mantra that the nation was heading for a severe wireless shortage. It gave him a temporary waiver last year allowing him to proceed with his proposed conversion of the spectrum to wireless broadband. After he and his clients and lenders invested \$4 billion, the FCC this week yanked the same permit under an onslaught from users of the Global Positioning System.

Mr. Falcone's radio bands are adjacent to those used by GPS receivers, and the GPS industry complained of potential interference. Mr. Falcone blamed makers of GPS gear for not shielding their devices, as if those bands would remain fallow forever. He complains that a federal study championed by the GPS interests exaggerates the problem. A maker of filters that would protect GPS devices complained, "It was a testing process where political influence trumped objective engineering."

Iowa Republican Senator Charles Grassley, whose constituent John Deere & Company uses GPS in its harvesters, waded into the debate so heavy-footedly that, in an eyebrow-elevating violation of protocol, an unnamed FCC official told the trade publication Telecommunications Report: "The spirit of Joseph McCarthy has returned to Washington in the form of Senator Grassley. This is a witch hunt with no basis, driven by well-funded lobbyists in the senator's state, and everyone knows it." (The FCC subsequently apologized.)

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### **The Independent (UK), Stephen Foley: Block on LightSquared seems the right decision, STEPHEN FOLEY, SATURDAY 18 FEBRUARY 2012**

US Outlook: Philip Falcone and the other investors behind LightSquared, an ambitious plan to build a nationwide wireless broadband network in the US, are foaming at the mouth with fury at having their plan blocked by regulators.

They are throwing out accusations of political bias and manipulation by lobbyists, and they are lawyering up in anticipation of a court battle against the government. The truth doesn't lie in their conspiracy theories, though. The Federal Communications Commission did the right thing.

I will confess to pangs of sympathy for Mr Falcone, a self-made billionaire who became a star of the hedge fund industry thanks to his successful bets against the mortgage market before the credit crisis. He was early in identifying the need for more wireless broadband capacity. The phone networks here are already creaking, as video calling, movie streaming and other data-intensive services take off. LightSquared, which has acquired rights to chunks of the radio spectrum, was proposing to build something that would be good for consumers and vital for innovation, as well as severely lucrative for its

backers. It doesn't seem especially fair that the plan has been scuppered because existing GPS services can't stick to their own bit of the spectrum.

But practicality trumps fairness. The trouble is that GPS services use adjacent bits of the spectrum and would be disrupted by its service. Weak GPS satellite signals require a big scoop, so receivers are straying into LightSquared's territory. Some of these GPS services are critical to aviation and the Pentagon; others are the basis of existing multi-billion dollar industries.

Only government regulation can make sense of the noise and prevent chaos, and the FCC had to weight the greater good. LightSquared argued the GPS industry should be forced to invest in technical fixes so as to stay within their spectrum. The FCC ruled that the proposed technical fixes were impractical, so it withdrew the provisional approval it gave to LightSquared.

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### **Light Reading, Report: LightSquared Fund Sued By Investors, FEBRUARY 17, 2012 | Dan Jones**

The hits keep coming in this hell week for coulda-woulda-been 4G contender LightSquared .

The Wall Street Journal reported late Friday that investors are now suing billionaire Philip Falcone and his Harbinger Capital Partners LP fund, which bankrolled LightSquared for billions of dollars. The suit, which was filed in the Southern District of New York, alleges Mr. Falcone made "deceptive and misleading statements" by not disclosing that he intended to form the wholesale wireless operator, the paper reports.

Earlier this week, the Federal Communications Commission (FCC) said it would block the company's proposed Long Term Evolution (LTE) network because it would interfere with satellite positioning services. LightSquared's CEO Sanjiv Ahuja said Thursday that the company has already spent "nearly \$4 billion" in its attempt to get the abortive hybrid satellite and terrestrial LTE service off the ground.

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### **Reuters, Falcone sticks with plan, hit by lawsuit, By Svea Herbst-Bayliss and Sinead Carew, Fri Feb 17, 2012 7:49pm EST**

(Reuters) - Hedge fund manager Philip Falcone told investors he is sticking by plans to build a national mobile broadband service even as an investor charged in a lawsuit that he deceptively raised billions of dollars that went to the struggling venture.

On an hour-long conference call on Friday, the billionaire investor sounded a defiant note, according to two investors who spoke with Reuters, saying he was working on ways to salvage LightSquared Inc despite a serious blow dealt by communications regulators this week.

The Federal Communications Commission on Tuesday said it planned to revoke permission for LightSquared to build out its network after tests showed it would interfere with the Global Positioning System used by airlines, the military and others.

Falcone has funneled billions of dollars into the Reston, Virginia-based company which is the biggest holding in his \$4 billion Harbinger Capital Partners portfolio.

Lili Schad filed a lawsuit in the Southern District of New York on Friday alleging that Falcone breached "contractual and fiduciary duties" by making "deceptive and misleading statements" while raising money for the Harbinger fund.

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**Computer World, LightSquared owner explores lawsuit vs FCC, GPS industry, Philip Falcone of Harbinger Capital partners might sue the FCC and GPS industry or swap spectrum with the Defense Department, By Stephen Lawson, February 17, 2012 04:51 PM ET**

IDG News Service - LightSquared's primary investor, Philip Falcone, is exploring possible lawsuits against the FCC and the GPS industry in the wake of the FCC's rejection of the carrier's plan for a 4G cellular network, sources familiar with the company's planning confirmed on Friday.

The U.S. Federal Communications Commission, which has the final say on LightSquared's plan to build an LTE (Long Term Evolution) network using spectrum next to the band used by GPS, acted to kill that plan on Tuesday. LightSquared is owned by Harbinger Capital Partners, the hedge fund run by Falcone.

Falcone has hired outside lawyers to study the potential lawsuits and is also considering ways to appeal the FCC's decision or possibly swap LightSquared's current spectrum for other frequencies assigned to the U.S. Department of Defense, according to Wall Street Journal reports that were confirmed by sources. Through a lawsuit, the company might seek to force GPS vendors to make their receivers filter out LightSquared's frequencies, the Journal said.

Any lawsuit or appeal of the FCC's decision would be a long shot for LightSquared's owners, according to industry observers. LightSquared was granted a waiver to sell wholesale services over LTE and satellite separately, a key part of its business model, only on the condition that interference with GPS receivers be resolved first. After a series of tests last year, the National Telecommunications and Information Administration said on Tuesday that it had concluded the two systems could not coexist.

LightSquared has repeatedly said the second round of interference tests last year was rigged by GPS equipment makers and government officials who it says are beholden to the industry. If the company appeals the FCC's action, it might argue that the decision was based on flawed tests. But even if such an appeal succeeded, the company might not have enough money to keep going until it received approval. LightSquared has said it has enough capital to operate for several quarters.

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**The Wall Street Journal, TECHNOLOGY, February 18, 2012, Falcone's Telecom Troubles Mount, BY STEVE EDER, AMY SCHATZ AND ANTON TROIANOVSKI**

It's been a rough week for Philip Falcone.

The hedge-fund manager who poured billions of dollars into a plan by LightSquared Inc. to build a new national wireless network found out Tuesday that federal regulators had moved to block it, saying it was likely to interfere with Global Positioning System devices.

That left investors in his hedge fund, Harbinger Capital Partners, which had provided much of the funding, wondering what would become of their money.

On Friday morning, addressing those investors in an hourlong conference call, Mr. Falcone offered no details on how he planned to overcome the setback and took no questions from listeners.

"While it is clear that the investment thesis was dead-on, going through the regulatory and political process here has been very disturbing, to say the least," said Mr. Falcone, who is 49 years old. "We are continuing to plow ahead on a number of different fronts....We are continuing to evaluate a number of the options we believe we have."

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### **The Telegraph (UK), Harbinger Capital's Philip Falcone sued by investors over \$3bn broadband bet, By James Quinn and Richard Blackden 11:00PM GMT 18 Feb 2012**

Phil Falcone, the billionaire hedge fund manager whose firm made \$11bn (£6.9bn) from the sub-prime crisis, is being sued by investors after a \$3bn bet to create a US-wide mobile broadband service appeared to hit the buffers.

Mr Falcone, chief investment officer of Harbinger Capital Partners, stands accused of misleading investors over its decision to invest in the service through its acquisition of LightSquared.

Court filings lodged in New York accuse him and one of the firm's investment funds of investing in LightSquared even though the original aim of the fund was to invest in distressed debt and sub-prime mortgages.

Mr Falcone famously made \$11bn from betting against the booming US mortgage market, after taking short positions in late 2006, delivering a 116pc return for his flagship Harbinger Capital Partners Fund.

But investor Lili Schad, who invested \$4m with Harbinger, claims in the court documents that she was not told that Harbinger was investing 60pc of the fund's money into the new technology venture.

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### **Forbes, Tim Worstall, Contributor, TECH | 2/19/2012 @ 12:50PM, Congress Approves Spectrum Sales: Hurrah!**

Just a few small points about Congress just approving the sale of TV spectrum to the mobile broadband and cellphone companies.

The reason to do it is of course the rise of the smartphone. All of us using Apple's iPhone or something based on Google's Android are sucking data down like a vampire hitting the blood bank. The current spectrum infrastructure just really can't handle much more of this.

As Daniel Fisher points out here at Forbes it's not all roses and sunshine:

What is fundamentally wrong is it continues this process of selling fixed assets to meet current operating costs.

This is also known as selling the family silver: or a more up to date simile, getting an equity release through the house to fund current expenditure.

However, the sale is wealth enhancing. It's expected that compensating the TV stations for giving up the spectrum will cost around \$1.75 billion while it will be worth perhaps \$25 billion to the telcos. We have thus moved an asset from a lower valued use to a higher valued one. This is the very definition of wealth creation, moving resources and assets from lower to more highly valued uses.

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### **Federal Times, News Digest: Feb. 20, FCC rejects LightSquared 4G network**

The Federal Communications Commission last week rejected plans by wireless broadband firm LightSquared to build a 4G network on spectrum adjacent to Global Positioning System signals.

FCC's decision comes after tests by the National Telecommunications and Information Administration (NTIA) and others warned of the harm LightSquared's proposed network would pose to GPS services critical for first responders, the airline industry and others.

In a letter to FCC, NTIA Administrator Lawrence Strickling said his agency's tests show "LightSquared's proposed mobile broadband network will impact GPS services," and there is "no practical way to mitigate the potential interference at this time."

FCC spokeswoman Tammy Sun said FCC may suspend a conditional waiver it granted the company in January 2011 and would issue a public notice seeking comment on NTIA's findings.

In a statement, LightSquared said "it remains committed to finding a resolution with the federal government and the GPS industry to resolve all remaining concerns."

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### **Ars Technica, Why LightSquared failed: It was science, not politics, By Jon Brodtkin | Published 02/19/2012**

The seeds of LightSquared's failure to win government clearance to build a 4G-LTE network can, ironically, be found in the "approval" the company received just 13 months ago.

In January 2011, the Federal Communications Commission (FCC) was clearly getting a positive vibe from LightSquared's plan to build an open-access network using both satellites and cell towers. The conditional approval issued by the agency stressed the positives of LightSquared's plan, noting that "if LightSquared successfully deploys its integrated satellite/terrestrial 4G network, it will be able to provide mobile broadband communications in areas where it is difficult or impossible to provide coverage by terrestrial base stations (such as in remote or rural areas and non-coastal maritime regions), as well as at times when coverage may be unavailable from terrestrial-based networks (such as during natural disasters)."

LightSquared chalks this up to a failure on the part of GPS makers, and this is at least partly true. The FCC detailed further "public interest benefits," such as increasing competition among mobile wireless providers, spurring innovation in the consumer device industry by providing a network not tied to any single carrier, and providing additional broadband capacity at a time "when the use of such services is increasing exponentially." The FCC would probably argue today that these needs are still just as pressing. Yet this past Tuesday the commission decided to withdraw its conditional approval.

Despite the FCC's glowing remarks about LightSquared, the conditional approval made it clear the plan would never gain final clearance unless it could be implemented without interfering with GPS devices. In a nutshell, LightSquared needed a special waiver because it is trying to use spectrum allocated for low-power space-to-ground transmissions for something it was not originally allocated for: high-power ground-only transmissions that could fuel a nationwide wireless mobile broadband network. The portion of L-Band spectrum controlled by LightSquared is adjacent to the spectrum used by GPS devices, and GPS devices, according to repeated tests, would be unable to receive the signals intended for them because the high-power LightSquared signals would overpower the GPS ones.

This doesn't mean LightSquared signals would travel outside their allotted spectrum. Rather, most GPS devices are incapable of filtering out signals from adjacent frequencies—particularly when those signals are many times stronger than the signals GPS devices are supposed to receive. LightSquared chalks this up to a failure on the part of GPS makers, and this is at least partly true. Michael Marcus, who worked at the FCC for 25 years and is now a consultant on wireless technology and spectrum policy, writes that cellular base stations have been "allowed next to the GPS band since 2003" under FCC policy, yet GPS makers "paid little attention to the fact that GPS would be having a new neighbor with much stronger signals in some places than the original MSS [mobile satellite services] signals."

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### **Reuters, LightSquared defaults on Inmarsat payment, 14:06:06 BST, LONDON | Mon Feb 20, 2012 7:52am GMT**

(Reuters) - Satellite firm Inmarsat (ISA.L) said on Monday that its partner LightSquared, a venture struggling to build a U.S. mobile broadband service with Inmarsat's spectrum, had failed to pay a \$56.25 million installment to the British company.

The Federal Communications Commission on Tuesday said it planned to revoke permission for LightSquared to build out its network after tests showed it would interfere with the Global Positioning System used by airlines, the military and others.

After the FCC news, some analysts speculated that bankruptcy may be close at hand for LightSquared, especially after it had earlier warned that it would run out of money early this year.

Inmarsat said it had issued a default notice to LightSquared on Monday, giving it 60 days to make the payment before it terminated the co-operation agreement.

Inmarsat said it had started talks with the U.S. company, which is backed by billionaire hedge-fund manager Philip Falcone, but it could not provide any assurance it would receive any more payments.

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**The Guardian (UK), Inmarsat drops after US partner LightSquared defaults on \$56m payment, Satellite operator issued default notice after struggling LightSquared fails to make milestone payment, Posted by Nick Fletcher, Monday 20 February 2012 06.04 EST**

Satellite operator Inmarsat has come down to earth after its US partner LightSquared failed to make a due payment.

LightSquared is currently trying to build a US mobile broadband service using Inmarsat's spectrum, but has run into a number of problems. The latest local difficulty came when the US Federal Communications Commission said it planned to revoke permission for the proposed network after tests showed it could interfere with GPS services used by airlines and the military. Analysts had feared that LightSquared, backed by billionaire hedge fund manager Philip Falcone, could run out of money.

So the latest news from Inmarsat is not exactly a good sign. Under the terms of a contract between the two companies, LightSquared should have made a \$56.25m milestone payment, but this has not been received. So Inmarsat has issued a notice of default, giving LightSquared 60 days to come up with the cash or face measures such as terminating the agreement. It said:

Inmarsat and LightSquared have entered into discussions regarding the future of the co-operation agreement, but Inmarsat cannot provide any assurance that these discussions will result in further payments being received from LightSquared.

Analyst Mark James at Liberum Capital was still positive on Inmarsat:

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**MarketWatch, PRESS RELEASE, Feb. 20, 2012, 8:22 a.m. EST, LightSquared Statement Regarding Inmarsat Notice**

RESTON, Va., Feb. 20, 2012 /PRNewswire via COMTEX/ -- LightSquared has received a notice of completion from Inmarsat relating to the first phase of the companies' 2007 multi-phase agreement to reallocate spectrum resources. As part of the first phase, Inmarsat is required to fulfill certain obligations important to the deployment of LightSquared's 4G-LTE integrated terrestrial and satellite network and protection of their respective customers.

LightSquared has raised several matters that require resolution before the first phase comes to a close. The terms of the agreement allow for additional time to resolve pending questions before phase one is complete and the final payment is due.

LightSquared is committed to fulfilling its business plan to bring world-class wireless broadband connectivity to millions of Americans and believes that Inmarsat will remain an important partner in the company's future endeavors.

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**PC World, CELL PHONES / VOIP Feb 20, 2012 9:20 am, LightSquared Defaults on \$56M Payment to Spectrum Owner Inmarsat, By Peter Sayer, IDG News**

LightSquared has defaulted on a US\$56.25 million payment due under a 2007 wireless spectrum cooperation agreement with Inmarsat, the U.K. satellite communications operator said Monday, adding that it could terminate the agreement if LightSquared doesn't make payment within 60 days.

The future of LightSquared's project to offer LTE (Long Term Evolution) broadband wireless services across the U.S. using a combination of satellite and terrestrial signals was thrown into doubt last week, when the U.S. Federal Communications Commission said it was minded to withdraw its approval for the project. LightSquared is considering a legal challenge to the FCC's decision.

The FCC had initially made its approval conditional on LightSquared working with the GPS industry to reduce concerns over interference with GPS navigation devices, which operate on frequencies adjacent to those LightSquared intends to use. LightSquared's spectrum cooperation agreement with Inmarsat is key to the proposals it made to solve the GPS interference issue: Of the frequencies LightSquared could use for its network, Inmarsat controls the block furthest from that used by GPS receivers, and so the least likely to cause interference problems.

LightSquared has already invested \$4 billion in building its network, and will need to invest another \$14 billion in private financing to complete its plans, it says.

In early January the company said it had enough financing to wait several more quarters for regulatory approval to begin operating its network, but Monday's default on the payment to Inmarsat suggests LightSquared's finances may be tighter than the company has previously let on.

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