



SEC SHINES THE LIGHT SQUARELY ON CRONY CAPITALISM

Harbinger Capital Partners LLC hedge fund just acknowledged its highly political founder [Phillip Falcone](#) and other key executives have received “[Wells Notices](#)”. Such communications are normally sent by the Securities & Exchange Commission to a target for fraud just before the Justice Department launches a civil and or criminal case. Although the Wells Notice appears to relate to allegations that Mr. Falcone used his hedge fund customers cash as his personal slush fund; an indictment of Mr. Falcone will also inflame the swirling crony capital investigation by the Congress of White House pay-to-play donations in support of a \$14 billion scheme to siphon off part of the U.S. military and civilian Global Positioning Satellite (GPS)’s dedicated wireless bandwidth by a start-up company Mr. Falcone controls, called LightSquared.

LightSquared’s business model appeared to be the creation of an entirely new “4G” internet wireless network from the fringe safety zone bandwidth dedicated to the secure military and civilian GPS. Mr. Falcone, his wife Lisa Falcone, and LightSquared Chief Executive Officer Sanjiv Ahuja each made \$30,400 political contribution to Democratic campaign organizations in 2010 to allegedly influence Federal Communications Commission (FCC) to allow the project to proceed under increasingly relaxed standards according to Congressional sources. A letter from Republican House members referred to e-mails between LightSquared representatives and White House officials about attendance at fundraisers for President Barack Obama that coincide with LightSquared contacts: “While some may call it a coincidence, we remain skeptical.”

LightSquared’s FCC operating license had originally included strict provisions intended to ensure the network would be primarily a satellite-based system, with terrestrial components serving as a backup when users were not able to link with a satellite. [But these provisions were softened via several license modifications; including the FCC granting LightSquared permission to sell terrestrial-only handsets as a concession to help the company raise billions in financing.](#) The FCC had ordered testing and Congressional committees on science, armed services and transportation held hearings to determine if the LightSquared plans to offer wireless Internet services to 260 million people would cause harmful interference to GPS operations. In September Congressional investigators asked Jacob Lew, director the Office of Management and Budget and John Holdren, director of the Office of Science & Technology Policy for records of all contacts by LightSquared or its affiliates with staff of the agencies. Following the acknowledgment by LightSquared officials of the Wells Notices; the [National Space-Based Positioning, Navigation, and Timing \(PNT\) Systems Engineering Forum](#), an executive branch body that advises on policy makers on issues around GPS, [reported that it](#)

found that 69 of 92, or 75 percent, of receivers tested “experienced harmful interference” at the equivalent of 109 yards from a LightSquared base station. The results from testing by the Department of Defense and the Federal Aviation Administration, along with GPS makers Trimble Navigation Ltd. and Garmin Ltd., farm-gear maker Deere & Co., and General Motor Co.’s OnStar unit, according to the draft seen by Bloomberg News, determined “LightSquared signals caused harmful interference to majority of GPS receivers tested” and that “No additional testing is required to confirm harmful interference exists.” After considering all possible mitigation options including reducing the power of the planned LightSquared base stations and outfitting GPS receivers with special filters, the report’s authors found there is “no practical way for the high-power LightSquared terrestrial network to coexist with myriad applications that rely on relatively low-power GPS signals in an adjacent part of the electromagnetic spectrum.”

Given that it now appears LightSquared already squandered a \$1 billion of investor’s money to put a satellite in orbit and were busy raising billions more for what may have been a scam from the start; perhaps a little contrition by LightSquared management would have been an appropriate course of action. But late today, the company arrogantly reacted in a press release that it is: “outraged by the illegal leak of incomplete government data, This breach attempts to draw an inaccurate conclusion to negatively influence the future of LightSquared and narrowly serve the business interests of the GPS industry.”

With Phillip Falcone potentially about to do the perp walk and Congress already geared up for crony capitalist investigations of Solyndra and MF Global; the White House and several of the Executive Department agencies may have a very busy schedule over the next few months trying to figure out what they didn’t know and when they didn’t know about LightSquared. The miraculous timing of the release of this crucifying technical report will inflame Congressional suspicions that only crony capitalism could have allowed a proposal that would have disrupted navigation systems on cars, boats, tractors and planes to come so close to approval.

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