NextWave Wireless Inc.
Form 10-K
April 02, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 27, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____________________ to ___________________

Commission File Number 000-51958
NextWave Wireless Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-5361630**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

10350 Science Center Drive, Suite 210, San Diego, California 92121
(Address of principal executive offices and ZIP code)

Registrant's telephone number, including area code: (858) 480-3100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No x
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer o Accelerated Filer x Non-Accelerated Filer o Smaller Reporting Company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was $209,040,870.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of the securities under a plan confirmed by a court. Yes x No o

As of March 25, 2009, there were 103,091,858 shares of common stock of the Registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Proxy Statement for the 2009 Annual Meeting of Stockholders of the registrant is incorporated by reference into Part III of this Form 10-K.

FORM 10-K

NEXTWAVE WIRELESS INC.
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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Annual Report”) and other reports, documents and materials we will file with the Securities and Exchange Commission (the “SEC”) contain, or will contain, disclosures that are forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements, which represent our expectations or beliefs concerning various future events, may contain words such as “may,” “will,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” or other words of similar meaning in connection with any discussion of the timing and value of future results or future performance. These forward-looking statements are based on the current plans and expectations of our management and are subject to certain risks, uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from historical results or those anticipated. These risks include, but are not limited to:

- our disclosure controls and procedures were determined not be effective as of December 27, 2008, in particular due to a material weakness in our internal control over financial reporting and if we cannot successfully remediate such material weakness, there is a reasonable possibility that a material misstatement in our financial statements will not be prevented or detected;

- our ability to successfully complete our global restructuring initiative, announced in the third quarter of 2008, is crucial to our ability to continue as a going concern;

- we are highly leveraged and our operating flexibility will be significantly reduced by our debt covenants;

- the terms of our 7% Senior Secured Notes due July 17, 2010 (the “Senior Notes”) and Senior-Subordinated Secured Second Lien Notes due December 31, 2010 (the “Second Lien Notes”) require us to certify our compliance with a restrictive operating budget and any failure to comply with these terms will have adverse economic consequences;

- we will not achieve our asset sale targets under our Senior Notes and Second Lien Notes and will accordingly incur additional interest expense and must issue additional warrants;

- our ability to retire our debt on or prior to its maturity dates in 2010 and 2011 will require us to successfully sell a substantial portion of our domestic and international spectrum assets and, if such sales are not successful, we may be unable to refinance our debt due to our financial condition and global economic conditions;

- the failure of our Multimedia segment to sustain and grow its business in the current challenging economic climate may adversely impact our ability to comply with our operating budget and will have an adverse effect on our business;

- our common stock could be delisted from the NASDAQ Global Market if our stock price continues to trade below $1.00 per share;

- changes in government regulations or continued adverse global economic conditions could affect the value of our wireless spectrum assets; and

- we are subject to the other risks described under “Risk Factors” and elsewhere in the information contained or incorporated into this Annual Report.

There may also be other factors that cause our actual results to differ materially from the forward looking statements.

Because of these factors, we caution you that you should not place any undue reliance on any of our forward-looking statements. These forward-looking statements speak only as of the date of this Annual Report and you should understand that those statements are not guarantees of future performance or results. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we have no duty to, and do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

TRADEMARKS AND TRADE NAMES

CORE™, OpenCORE™, MediaFusion™ and TwonkyMedia™ are trademarks and/or service marks of our wholly owned subsidiary PacketVideo Corporation.

iPhone™ is a trademark of Apple Inc. Android™ is a trademark of Google Inc. LiMo™ is a trademark of LiMo Foundation, Inc. BREW™ is a trademark of Qualcomm Incorporated.

All other trademarks, service marks and/or trade names appearing in this document are the property of their respective holders.

PART I.

Item 1.*Business*

In this Annual Report, the words "NextWave", the "Company", "we", "our", "ours", and "us" refer to NextWave Wireless Inc. and, except as otherwise specified herein, to our subsidiaries. Our fiscal year ended on December 27, 2008.

Our Company

NextWave Wireless Inc. is a holding company for mobile multimedia businesses and a significant wireless spectrum portfolio. As a result of our global restructuring initiative described below, our continued operations have been focused on two key segments: (1) Multimedia, consisting of the operations of our wholly owned subsidiary PacketVideo Corporation ("PacketVideo" or "PV") and (2) Strategic Initiatives, focused on the management of our wireless spectrum interests.

PV develops, produces, and markets advanced mobile multimedia and consumer electronic connectivity product solutions including embedded software for mobile handsets, client-server platforms for mobile media applications such as music and video and software for sharing media in the connected home. At present, PV's customers include many of the largest mobile handset and wireless service providers in the world including Cisco Linksys, Motorola, Nokia, NTT DoCoMo, Rogers Wireless, Orange, Panasonic, Samsung, Sharp, Sony Ericsson, TeliaSonera, Verizon Wireless and Vodafone India. As wireless service providers continue to upgrade their data services and introduce new platforms such as Android™ and iPhone™, we believe that multimedia applications such as live TV, video-on-demand, and mobile music will remain key driving forces behind global adoption of next-generation wireless technologies and end-user devices. In addition, we believe that consumer electronics and wireless handsets are converging around the concept of a connected home in which media can be shared and enjoyed by consumers on multiple screens, including the television, the PC and the mobile handset. As a result, many telecom operators seek to develop common services across their wireline and wireless businesses. Our business is focused on developing the technologies and products that enable both operators and device manufacturers to deliver these types of advanced mobile multimedia services to customers.

Our total wireless spectrum holdings currently consist of approximately ten billion MHz POPs (*i.e.* population) consisting of approximately 220.4 million POPs in the U.S. and 145 million international POPs, including licenses for many large metropolitan areas in the United States, as well as significant holdings in Canada and nationwide licenses in Austria, Croatia, Germany, Norway, Slovakia and Switzerland. We have engaged Deutsche Bank and UBS Investment Bank to market our United States wireless spectrum holdings, and Canaccord Adams to market our Canadian wireless spectrum holdings. As part of these efforts, in the second half of 2008 we sold a portion of our Advanced Wireless Services ("AWS") spectrum in the United States for net proceeds, after deducting direct and incremental selling costs, of $145.5 million, and recognized gains on these sales totaling $70.3 million. We will seek to sell our wireless spectrum holdings over time to repay our significant secured indebtedness, the aggregate principal amount of which was approximately $808.7 million as of December 27, 2008. Our ability to implement this strategy is subject to significant risks, as described in this Annual Report under the heading "Risk Factors".

In 2008, we initiated significant financing and restructuring activities. On October 9, 2008, we issued Second Lien Notes in the aggregate principal amount of $105.3 million, and received net proceeds of approximately $87.5 million to be used solely to fund our ordinary course business operations. Concurrently, we issued Third Lien Subordinated Secured Convertible Notes due December 31, 2011 (the "Third Lien Notes") in an aggregate principal amount of $478.3 million in exchange for all of the outstanding shares of our Series A Senior Convertible Preferred Stock ("Series A Preferred Stock"). We did not receive any cash proceeds from the issuance of the Third Lien Notes.

In an effort to reduce our future working capital requirements and in order to comply with the terms of our Senior Notes, Second Lien Notes and Third Lien Notes, we commenced the implementation of a global restructuring initiative, pursuant to which we completed the following actions in the second half of 2008:

- we sold a controlling interest in our IPWireless subsidiary for an upfront cash payment of approximately $1.1 million and future cash payments of up to $0.5 million;
- we shut down the operations of our network infrastructure businesses, which comprise our Networks segment, including the operations of our GO Networks and Cygnus subsidiaries and our Global Services and NextWave Network Support strategic business units;
- we initiated bankruptcy liquidation proceedings for three of our network infrastructure subsidiaries in Israel, Denmark and Canada to provide an orderly process for the discontinuance of operations and to advance our divestiture and cost reduction strategy;
- we retained Canaccord Adams to explore strategic transactions to optimize the value of our semiconductor business and eliminate the need to make on-going capital investments in or incur liabilities relating to this business, and, in the first quarter of 2009, due to the inability to identify any such transaction, we wound down our semiconductor operations and terminated approximately 190 employees; and
- we retained goetzpartners to explore the sale of our WiMax Telecom business in Europe.

Several factors led to our decision to implement our global restructuring initiative, including adverse worldwide economic conditions, which we believe have adversely affected manufacturers of telecommunications equipment and technology and caused our discontinued Networks segment to experience lower than projected contract bookings and revenues. We believe these conditions have also led to a delay in global WiMAX network deployments, which have adversely impacted the timing and volume of projected commercial sales of WiMAX products of our discontinued semiconductor business.

To further enhance our operational flexibility, on April 1, 2009, we obtained a waiver from the holders of our Senior Notes, Second Lien Notes, and Third Lien Notes that adjusts our minimum cash balance requirement from $15 million to $5 million, waives certain events of default relating to timely delivery of a new operating budget, permits us to issue up to $25 million of indebtedness on a *pari passu* basis with our Second Lien Notes, and allows us to pay certain holders of our Senior Notes payment-in-kind interest at a rate of 14%. We have also entered into a binding commitment letter with Navation, Inc., an entity controlled by Allen Salmasi, our Chairman and Chief Executive Officer, to provide up to $15 million in working capital financing.

We believe that the completion of the asset divestiture and cost reduction actions contemplated by our global restructuring initiative, including the diverstiture or shut down of our semiconductor business, our current cash and cash equivalents, projected revenues from our Multimedia segment, our committed $15 million working capital financing and our ability to elect payment in kind interest with respect to at least 50% in aggregate principal amount of our Senior Notes, coupled with the reduction to our minimum cash balance requirement, will allow us to meet our estimated working capital requirements at least through December 2009. Should we be unable to achieve the revenues and/or cash flows for fiscal year 2009 contemplated in our operating plan, which was approved by the Governance Committee of our Board of Directors on March 27, 2009, we will implement certain additional actions to reduce our working capital requirements including staffing reductions, the deferral of capital expenditures associated with the build-out requirements of our wireless spectrum licenses and reductions in foreign operations.

If we are unable to achieve the anticipated savings from the implementation of our global restructuring initiative, or to consummate our working capital financing transaction, or if we were to incur significant unanticipated expenditures, we would be required to renegotiate our lending arrangements and we may also be required to seek additional debt and/or equity financing and/or further reduce discretionary spending. There can be no assurance that any additional financing will be available on acceptable terms, if at all. Insufficient capital would significantly restrict our ability to operate and could cause us to seek relief through a filing in the U.S Bankruptcy Court.

Multimedia Segment

PacketVideo was founded in 1998 and supplies multimedia software and services to some of the world's largest network operators and wireless handset manufacturers. These companies in turn use PacketVideo's platform to offer music and video services on mobile handsets, generally under their own brands. In addition, since 2006 PacketVideo has offered software products for use on PCs, consumer electronics and other devices in the home. We believe that media consumption in the home and media consumption on mobile handsets is converging. PV's TwonkyMedia product line is designed to capitalize on this trend. We are also working with our network operator customers, many of whom also have wireline businesses, to develop services that could be delivered to both the mobile handset and the connected home. We believe that the continued growth in both multimedia-capable wireless handsets (i.e. smartphones) and broadband connectivity over both wired and wireless networks will continue to create market opportunities for PV.

Competitive Strengths

Well established industry position. We believe that our PacketVideo subsidiary is a leading independent supplier of multimedia software in the mobile industry, with ten years of expertise. PacketVideo's customers include many of the world’s largest handset manufacturers such as Fujitsu, HTC, Motorola, Nokia, Panasonic, Samsung, Sharp, and Sony Ericsson, as well as some of the world’s largest network operators including Orange, NTT DoCoMo, Rogers Wireless, TeliaSonera, TELUS Mobility, Verizon Wireless and Vodafone India. PV has also become a leading provider of software for next generation connected home consumer electronics products to companies such as Buffalo, Cisco Linksys, Denon, Hewlett-Packard, Panasonic, Philips, Siemens, Yamaha and Western Digital. In 2008, PV became a founding member of the Open Handset Alliance (“OHA”) led by Google, and supplies the multimedia software subsystem, known as OpenCORE™, for the OHA’s mobile device platform known as Android. As the shift to converged services occurs where multimedia services are accessible via the television, PC and mobile handset, we believe that PacketVideo is in a unique position to support this evolution.

A unique and flexible portfolio of multimedia products and technologies. We expect mobile TV to continue to grow on a global basis. There is a trend emerging among those watching television programs to now search out the same content over the Internet. Content providers have begun experimenting with content portals that provide popular programming with the same shows that are available on television. According to Juniper Research, the global base for mobile broadcast TV services is likely to exceed $330 million by the end of 2013. Unlike the PC software environment, there are no dominant mobile device operating systems and, in fact, over two dozen such operating systems are currently in use by mobile handset manufacturers worldwide. PacketVideo works with virtually all of the most popular mobile device operating systems in use today. By maintaining this flexible approach, we believe that PacketVideo’s next generation of mobile broadband software will be well-positioned to enjoy continued wide scale industry adoption. We believe that PV’s expertise in the key elements needed to deliver mobile multimedia services puts PV in a unique position to capitalize on this growth.

A highly accomplished team of wireless technology professionals. PacketVideo is led by a team of highly accomplished veterans with broad experience in the development of wireless communications technologies and solutions. Dr. James Brailean, Chief Executive Officer of PacketVideo, co-founded PacketVideo and has built it into an industry leader over the past ten years.

Competition

We continue to experience intense competition for our multimedia products and services. Our competitors range in size from Fortune 500 companies to small, specialized single-product businesses. At present, the primary competitors for our multimedia software products are the internal multimedia design teams at large OEM handset manufacturers such as Nokia, Samsung, LG, Sony Ericsson, Motorola, Apple, RIM, HTC, Palm and others. Many of these companies now offer their own internally developed multimedia services (e.g., Nokia Ovi, SonyEricsson PlayNow) that come bundled with various handset products. While these groups compete against the company in the overall market for wireless multimedia, these companies also represent the primary distribution channel for delivering PacketVideo products. This is because PacketVideo’s mobile operator customers ask these manufacturers to install or preload a version of PacketVideo’s software customized for such mobile operator in handsets that they purchase. In addition to the handset manufacturers, a number of companies compete with PacketVideo at various product levels, including Adobe, Microsoft, MobiTV, NXP Software, Real Networks, Sasken, Streamezzo, SurfKitchen, and UIEvolution, offering software products and services that directly or indirectly compete with PacketVideo.

For the connected home set of product solutions, our primary competitors again include internal software design terms at large consumer electronics companies like Sony, Microsoft, Cisco Linksys, Samsung and Panasonic. In addition, we face competition from a number of other companies such as Apple, Macrovision, Microsoft, Monsoon Multimedia, the Orb, and Real Networks.

Although we believe that our products are advantageous and well positioned for success, our business largely depends upon volume based sales of devices into the market. The economic downturn in the global markets has affected consumer spending habits. Our customers and distribution partners, telecommunications companies and consumer electronics device manufacturers, are not immune to such uncertain and adverse market conditions. PacketVideo relies on these partners as distribution avenues for its developed products. Additionally, competitive pressures may cause further price wars in an effort to win or sustain business which will have an effect on overall margins and projections. If economic conditions continue to deteriorate, this may result in lower than expected sales volumes, resulting in lower revenue, gross margins, and operating income.

The PV Strategy

The PV strategy is to deliver technologically advanced mobile multimedia and products and technologies to mobile subscriber terminal manufacturers, mobile network operators, and consumer electronics product companies, using a two-pronged approach:

Deliver rich-media services on PacketVideo's CORE and OpenCORE technologies for next-generation platforms. Building on its success in developing solutions for BREW™, Microsoft's Windows Mobile platform and Symbian, PacketVideo will continue to deliver solutions for new platforms such as Android and iPhone along with LiMO driven projects. PacketVideo's recently announced LiveTV for the iPhone demonstrates its ability to rapidly develop and deliver the next-generation rich-media solutions required by the industry.

Deliver connected home solutions based on PacketVideo's TwonkyMedia™ platform. PacketVideo will continue to partner with home routing systems, digital media renderers, network attached storage providers and other evolving and new connected consumer electronics devices to deliver digital home connectivity solutions using DLNA certified devices, as well as proprietary connected devices, to allow seamless sharing of audio, video and photo content. As wireline and wireless premium services continue to converge, PacketVideo will continue to develop multi-screen services for service providers intent on capitalizing on rich media services.

Grow and extend the Multimedia business. We believe that the number of multimedia enabled smartphones as a percentage of global handsets shipped annually will rise significantly over the next several years. We will seek to maintain PacketVideo's strong position in this growing market through the growth and extension of its existing multimedia software business and by leveraging its new multimedia convergence products and technologies. At present, the primary competitors for PacketVideo's multimedia software products are the internal multimedia software design teams at the OEM handset manufacturers to whom PacketVideo markets its products and services. Furthermore, we believe that the deployment of mobile broadband networks will spawn the development of new categories of software applications that capitalize on the distinctive mobility features inherent in mobile broadband systems. While the competition from the OEM's internal multimedia design teams and other independent multimedia software may increase in the next few years, we believe that PacketVideo will be able to leverage its MediaFusion platform and its family of TwonkyMedia products to fortify its position in the mobile multimedia and converged media software business.

PV Products and Technologies

PacketVideo is a global provider of multimedia software and services. PacketVideo's software transforms a mobile phone or other mobile device into a feature-rich multimedia device that allows people to stream, download, and play video and music, receive live TV, or engage in two way video telephony. PacketVideo's innovations and engineering leadership have led to breakthroughs in content encoding, content delivery systems, and advanced multimedia-enabled handset development around the world.

For mobile device manufacturers, shorter product cycles and increasing demand for advanced technologies are driving collaboration with third party solution providers, such as PacketVideo, to aid their product development. We believe that PacketVideo's technical capabilities and depth of knowledge are key reasons why PacketVideo has been chosen by the world's largest device manufacturers and network operators to help them quickly develop and introduce new multimedia enabled handsets and multimedia services to the market. PacketVideo's current suite of device-embedded software solutions are based on a modular architecture to enable rapid integration with the industry's leading hardware platforms and operating systems.

CORE™ Multimedia Framework. PacketVideo's CORE software product powers the playback of video and music in millions of mobile phone handsets worldwide. The PacketVideo multimedia framework is an embedded client with modular options to enable the downloading, streaming, and playback of content files based on all major media formats. CORE codec modules include: WMA 9/10/Pro, WMV 9, AAC, HE-AAC, HE-AAC V2, AVC/H.264, MPEG-4, Real Audio, Real Video, MP3, MP3 PRO, AMR and WB-AMR.

OpenCORE™ Open-sourced Multimedia Sub-system. PacketVideo is a founding member of the Open Handset Alliance™, an initiative led by Google to create a new mobile handset platform called Android™. PacketVideo has open-sourced part of its code to provide the multimedia sub-system for Android, allowing developers to create basic audio and video applications for Android. Should device vendors, who have adopted the Android platform wish to create more sophisticated multimedia services in the future, they can migrate to CORE and its capabilities. Additionally, PacketVideo has been recognized for active support of the LiMO Foundation™ and their platform initiatives.

TwonkyMedia™. TwonkyMedia is a family of customizable software products that auto-detect and link popular devices through the home, allowing end-users to share and enjoy various forms of mobile-multimedia content on the devices of their choice. The TwonkyMedia server is certified by the DLNA, a consortium of more than 300 consumer electronics and technology companies. The software is interoperable with hundreds of other DLNA-compatible home electronic and mobile devices as well as select non-compatible devices including Microsoft's Xbox 360 and Sony's PlayStation Portable.

PacketVideo Mobile TV Solutions. PacketVideo's mobile TV solutions enable mobile broadcast TV. Features include live streaming TV, VOD, high-performance multimedia codecs, picture-in-picture, personal video recorder, fast channel changing, and support for PacketVideo's own or third-party electronic service guides.

PacketVideo DRM Solutions. A mobile implementation of content protection and business rules for commercial media consumption. DRM types supported include: Windows Media DRM, OMA 1.0 and 2.0, and DTCP-IP. In addition, PacketVideo owns, and is further developing a flexible Java DRM solution called Secure Digital Container or SDC which has been adopted by several major operators.

MediaFusion Server-Client Solution. MediaFusion is a platform that unites disparate media services on the back end and present a unified user interface on the device, adding value to a mobile operator's existing content delivery services by managing and serving data about media content, rather than the media payload, and enabling a personalized music entertainment experience for users based on their demonstrated preferences.

Sales and Marketing

PacketVideo has ongoing marketing efforts that focus on the wireless industry and partners specific to PacketVideo's business success. Today, we continue to highlight rich media embedded software development for both handset manufacturers and network service providers. PV's partnerships span throughout North America, Europe and parts of Asia. We focus on global partner tradeshow events like Mobile World Congress events and developer conferences, continually update our products and solutions collateral, identify and meet with key analysts and promote PV's commercialized projects through appropriate press and news outlets. For the year ended December 27, 2008, sales to three Multimedia customers, Verizon Wireless, NTT DoCoMo and Sony Ericsson, accounted for 38%, 17% and 14%, respectively, of our consolidated revenues.

As certain mediums are becoming more popular and useful in disseminating important company and product information, PacketVideo has evolved its strategy. We have begun actively educating developers and partners through dedicated online WebPages, directed targeted video presentations to educate our partners and the general interested audience, created applicable blogs and advanced our participation in consumer related articles on new initiatives like OpenCORE. With the evolution of converged services, which address not only the mobile handset screen but also the PC desktop screen and the set top box television screen, we seek to promote our home connectivity products, such as TwonkyMedia manager, to become the leading standard in home software connectivity. There is a business to business set of marketing activities as well as business to consumer promotions, the latter of which is new to PV's overall promotional strategy. The TwonkyMedia website, www.twonkymedia.com, is a rich interactive consumer targeted website that offers in-depth information and guides to PV's latest evolution of the TwonkyMedia suite of products.

Recent Announcements

- In December 2008, TeliaSonera, considered one of the world's largest mobile groups with approximately 100 million total subscribers, launched a music service in Sweden under the name Telia Music Player, and will work with PV to expand the service to additional TeliaSonera regional brands over the next year.

- At the International Consumer Electronics Show ("CES") in January 2009, PacketVideo announced that TwonkyMedia server is now shipping standard or bundled on a variety of new and soon-to-be-launched consumer electronics devices from leading manufacturers, including Siemens, Philips, HP, Denon, TEAC, Buffalo and Western Digital.

- PacketVideo announced in February 2009 that its multimedia software is powering music and video capabilities for the F905i, Fujitsu's first phone to ship outside of Japan. Co-developed by NTT DoCoMo, Inc. and Fujitsu Limited, the F905i began shipping to Taiwan on January 15, and will offer users flexible music and video capabilities powered by PacketVideo's universal player software, also known as CORE™ multimedia client framework.

- PacketVideo and Nagravision introduced the first conditional access (CA) enabled version of the Telly device in February 2009.
- PacketVideo became aware of a security flaw in Android's browsing software and worked diligently alongside its partners to resolve the issue. A fix was issued February 7, 2009 to the public OpenCORE repository, as well as an oCERT advisory.
- In February 2009, PacketVideo announced the release of OpenCORE™ 2.0, the first upgrade to its OpenCORE multimedia sub-system for Android. OpenCORE provides the essential media features for device development and enables playing and streaming of standard formats, recording of images and video, and more. OpenCORE 2.0 expands upon PV's initial offering, including the release of a video telephony engine, OpenMAX encoding support and easier integration of OpenMAX cores.
- PacketVideo announced in February 2009 the commercial availability of PV's mobile video application for the Apple iPhone, enabling the delivery of operator-branded TV and video services on the popular smartphone for the first time. The application is available immediately and will be sold via operator distribution. Mobile operators are expected to offer the new iPhone application under their own brands via the iPhone Application Store, enabling subscribers to view local live television channels and on-demand video clips.
- PacketVideo announced in February 2009 a solution for Vodafone Essar in India which is based on its digital rights management (DRM) technology, SDC DRM, that also supports purchase and rental of protected music content, including the ability for users to share 30-second previews with their Vodafone friends with compatible devices. Those who want to hear the full song will then be directed to purchase the track or initiate a monthly subscription.

Strategic Initiatives Segment

Our strategic initiatives business segment is engaged in the management of our global wireless spectrum holdings. As of December 27, 2008, our total spectrum holdings consisted of approximately ten billion MHz POPs.

Our United States spectrum portfolio consists of 4 billion MHz POPs, which cover approximately 220.4 million POPs, of which 118.2 million POPs are covered by 20 MHz or more of spectrum, and an additional 87.2 million POPs are covered by at least 10 MHz of spectrum. In addition, a number of markets, including much of the New York metropolitan region, are covered by 30 MHz or more of spectrum. Our domestic spectrum resides in the 2.3 GHz Wireless Communication Services ("WCS"), 2.5 GHz Broadband Radio Service ("BRS")/Educational Broadband Service ("EBS"), and 1.7/2.1 GHz AWS bands and offers propagation and other characteristics suitable to support high-capacity, mobile broadband services.

Our international spectrum holdings consist of 5.9 billion MHz POPs, which cover 145 million POPs, including nationwide 3.5 GHz licenses in Austria, Croatia, Germany, Slovakia and Switzerland; a nationwide 2.0 GHz license in Norway; 2.3 GHz licenses in Canada; and 2.5 GHz licenses in Argentina and Chile.

We continue to pursue the sale of our wireless spectrum holdings and have engaged Deutsche Bank and UBS Investment Bank to explore the sale of our domestic wireless spectrum holdings, Canaccord Adams to explore the sale of our Canadian wireless spectrum holdings and goetzpartners to explore the sale of our WiMAX Telecom business in Europe. Additionally, we are actively marketing for sale our wireless spectrum holdings in Argentina and Chile. Any sale or transfer of the ownership of our wireless spectrum holdings is subject to regulatory approval.

During the fourth quarter of 2008, we completed the sale of certain of our owned AWS spectrum licenses in the United States covering 39.5 million POPs to third parties for net proceeds, after deducting direct and incremental selling costs, of $145.5 million, and recognized gains on these sales totaling $70.3 million. The net proceeds from the sale were used to redeem a portion of the Senior Notes at a redemption price of 105% of the principal amount thereof plus accrued interest.

We realized a significant return on our original investment in these licenses. However, there can be no assurance that we will realize a similar return upon the sale of our remaining wireless spectrum holdings. Although we believe that the fair value of our wireless spectrum assets at least approximates the carrying value, the sale price of our wireless spectrum assets will be impacted by, among other things:

- the Federal Communications Commission's ("FCC") final resolution of ongoing proceedings regarding interference from satellite digital audio radio services to our WCS spectrum licenses;

- build-out or substantial service requirements attached to our domestic and international spectrum licenses, where a failure to comply with these requirements could result in license forfeiture;

- timing of closure of potential sales, particular if it is necessary to accelerate the planned sale of certain of our spectrum licenses in order to meet debt payment obligations;

- worldwide economic conditions which we believe have adversely affected manufacturers of telecommunications equipment and technology and led to a delay in global WiMAX network deployments which in turn has delayed some operators near term requirements for additional spectrum; and

- the availability of capital for prospective spectrum bidders, which has been negatively impacted by the downturn in the credit and financial markets.

As we have previously disclosed, our efforts to sell our wireless spectrum holdings on favorable terms has been delayed by current global economic conditions, as well as regulatory and other market activities involving potential buyers. We are continuing to have discussions with numerous parties who have expressed interest in our various spectrum assets. However, we believe that adverse economic conditions continue to affect potential purchasers of our wireless spectrum, and there can be no assurance as to the timing of or pricing for further spectrum sales.

As of March 7, 2009, summary information about our current spectrum holdings in the United States is set forth below.

			Type of Spectrum[1][4]			
[2] MEA	MEA Name	POPs [3] (mm)	BRS EBS	WCS	AWS	Top Covered CMAs within MEA (POP Rank)
1	Boston	9.3				*Boston (10), Providence (50)*
2	New York City[5]	31.6				*New York (2), Hartford (41)*
3	Buffalo	1.7			-	*Buffalo (45), New York 3 - Chautauqua (118)*
4	Philadelphia	8.6				*Philadelphia (6), Wilmington (75)*
7	Charlotte-Greensboro-Greenville-Raleigh	6.9				*Greenville (62), Columbia (88)*
8	Atlanta	1.2				*Savannah (183), Georgia 12 - Liberty (270)*
9	Jacksonville	2.7				*Jacksonville (37), Tallahassee (177)*
10	Tampa-St. Petersburg-Orlando	1.2				*Florida 4 - Citrus (77), Ocala (185)*
11	Miami	1.2				*Fort Myers (89), Florida 1 - Collier (163)*
15	Cleveland	4.7			-	