

This Week's Stories

Report: T-Mobile May Partner With Harbinger for LTE

May 4, 2010

Deutsche Telekom is mulling whether to partner with Harbinger Capital Partners by making its T-Mobile USA subsidiary a wholesale customer of Harbinger's proposed nationwide LTE network, according to a report in the *Financial Times*.

The report, citing unnamed sources familiar with the matter, said that Deutsche Telekom has held preliminary talks with Harbinger over the network, but no decision has been made. Harbinger plans build a nationwide, wholesale LTE network using both terrestrial and MSS spectrum following the firm's merger in March with satellite operator SkyTerra. The network could cost as much as \$6 billion to build, and has been the subject of fierce opposition from AT&T and Verizon Wireless. Both operators regard some of the proposed network's terms discriminatory.

Representatives from Harbinger and Deutsche Telekom declined to comment.

Such a deal could give T-Mobile a way to catch up to AT&T and Verizon, which are building out LTE networks using 700 MHz spectrum. T-Mobile holds AWS spectrum licenses and is deploying HSPA+ technology, which it hopes to have deployed across the breadth of its network by year-end. The deal could also give Harbinger a valuable customer for its network. Harbinger confirmed last week that it had tapped Sanjiv Ahuja, the former CEO of France Telecom's Orange wireless unit, to run the wireless venture.

In March, T-Mobile USA CEO Robert Dotson confirmed that the carrier had talked with Clearwire and various cable companies about a possible joint venture to enhance the company's spectrum position. Dotson said that T-Mobile, the nation's No. 4 carrier, will not be counting on the FCC's national broadband plan to fulfill its spectrum needs.

Deutsche Telekom CEO Rene Obermann defended T-Mobile USA's performance at the German company's annual meeting. He said he is not "fully satisfied" with its U.S. performance, but also said DT is not giving up on the U.S. market. "After all, it is making us a great deal of money," he said. T-Mobile in the U.S. has focused on new unlimited plans, adding smartphones based on Google's Android platform and on building out and upgrading its 3G network, but has seen its postpaid subscriber growth slow.

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Palm Investor Sues Over 'Unfair' Hewlett-Packard Deal

May 6, 2010

Directors at Palm Inc., the money-losing handset maker that agreed to be bought by Hewlett-Packard Co. for \$1.2 billion, were sued by an investor over claims the deal would cheat holders of common shares.

Palm directors breached their fiduciary duties by agreeing to a deal that "unfairly favors" holders of preferred Series B shares, investor Steve Ubaney said in a complaint filed yesterday in Delaware Chancery Court in Wilmington.

"The proposed transaction is the product of a flawed sales process and is being consummated at an unfair price," lawyers for Ubaney said in the complaint.

Hewlett-Packard announced plans to buy Palm on April 28 in a deal that will pay common stockholders \$5.70 a share in cash. Elevation Partners LP, Palm's biggest investor, stands to get \$485 million for its preferred shares and warrants under the proposal. The preferred stock is priced at \$8.50 a share.



[Click here](#) for details on Nokia and Microsoft's collaboration.

Elevation, the Menlo-Park, California-based investment firm whose partners include U2's Bono and Silver Lake co-founder Roger McNamee, first invested in Palm in June 2007, buying \$325 million in convertible preferred shares. The firm has since invested another \$135 million through preferreds, warrants and common shares.

Elevation isn't entitled to additional money for its preferred shares under the terms of a deal signed with Palm in 2007, Ubaney said in the complaint. Under that deal, Elevation is only entitled to recover the same amount as common stockholders in a merger, according to the complaint.

Elevation's Share

Elevation is entitled to receive \$5.70 for each of its 38.2 million shares for a total of about \$217 million, according to the complaint.

Lynn Fox, a Palm spokeswoman, didn't immediately return a phone message seeking comment.

As a result of the directors' breaches of fiduciary duty, common shareholders "will not receive their fair portion of the value of Palm's assets and will be prevented from benefitting from a value-maximizing transaction," Ubaney said in the complaint.

Ubaney, who is seeking to represent other investors, asked for a court order blocking the deal plus unspecified damages.

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Nokia Investors Lose Patience 3 Years After iPhone

May 6, 2010

Nokia Oyj has had three years to come up with a rival to the iPhone. Investors say that's long enough.

Chief Executive Olli-Pekka Kallasvuo tried to convince shareholders today at the Finnish company's annual meeting that Nokia, the world's largest mobile-phone maker, will have new smartphones this year that will "help close the gap" with Apple Inc., Research In Motion Ltd.'s BlackBerry and devices based on Google Inc.'s Android software.

"Patience is running out and people are starting to worry about eroding brand value," said Max Jul Pedersen, who helps manage \$95 billion at Danske Capital in Copenhagen and is considering selling his Nokia shares. "Nokia has very little to show for their big research and development budget."

Nokia, based in Espoo, Finland, spent almost six times as much as Apple on R&D last year, yet has failed to develop a device with the same mass appeal as the multi-application iPhone. The company's shares have tumbled about 20 percent in the two weeks since it reported first-quarter earnings that missed analysts' estimates, wiping out 8.2 billion euros (\$10.5 billion) in market value.

Now 34 billion euros, or \$44 billion, the company's market capitalization compares with Cupertino, California-based Apple's \$230 billion, and is a shadow of its 1999 peak of 203 billion euros, the highest of any European company.

Scattered Ownership

Nokia came in 43rd in a brand-ranking study released last week by Millward Brown Optimor, tumbling 30 places in a year. It lost 58 percent of its brand value, the biggest plunge in the top 100 brands, according to the study. Nokia fell as much as 1.3 percent to 8.97 euros and was down 0.2 percent as of 4:36 p.m. in Helsinki.

Ownership in Finland's largest company is scattered around the globe. The company had 156,000 shareholders at the end of 2009, with 38 percent of shares owned in the U.S., where investors see few Nokia phones on store shelves alongside Apple and other competitors.

In a push to defend market share, Nokia slashed prices and sold cheaper models, sacrificing profit as the average smartphone price fell 18 percent in the last nine months. Even with the price cuts, its share of the global handset market fell almost 2 percentage points in the first quarter to 36.6 percent, International Data Corp. said April 30.

Nokia's sinking fortunes have prompted some investors to call for management changes.

Kallasvuo's Task

"If there were new management, depending on who it was, people could be impressed and it could be a positive catalyst," said Leon Cappaert, who helps manage 360 million euros of investments at KBC Asset Management in Brussels and sold his Nokia shares a few days after the results.

Nokia Chairman Jorma Ollila said at the AGM today that while shareholders have reason to be dissatisfied, the board supports the company's management on its current strategy, which he said will show results this year.

Kallasvuo, who over a span of 30 years has held a multitude of posts at Nokia including general counsel and chief financial officer, became CEO in 2006. Nokia's downward trajectory began on his watch, soon after Apple unveiled the iPhone in 2007.

Last month, Kallasvuo, 56 vowed to fight back with products that are "more intuitive, fun and faster."

"We are working hard to reclaim leadership in high-end smartphones and mobile computers," he said today. "It's critical that we improve the customer experience with the usability of both our devices and our services."

'May Be Too Late'

Nokia on April 27 announced the N8, its first phone using a rewritten software platform designed to improve usability. The touchscreen phone will be shipped in the third quarter.

Yesterday, Nokia and Microsoft Corp. released the first software component from their partnership, seeking to challenge RIM, the Canadian maker of BlackBerry handsets.

Still, Nokia will have to be swifter and more nimble to keep up with rivals, investors said. Nokia's annual R&D budget of about \$7.7 billion is 14 percent of revenue, compared with Apple's spending of \$1.3 billion, or 3 percent of sales. Nokia's expenditure also includes figures for its networks division.

"The high-end user they've lost to the iPhone has signed up for iTunes and put their information on Apple; Nokia won't get them back or not without an enormous amount of pain," said Stuart O'Gorman of Henderson Investors Ltd. in Edinburgh, who sold his shares the day Nokia announced first-quarter results. "You have to run so fast to stay still in this market. It may be too late."

Dividend Payout

Nokia's average selling price for all models has plummeted 44 percent in the last five years to 62 euros. Nokia charged, on average, 155 euros in the first quarter for a smartphone, down from 190 euros nine months ago.

"Nokia is cutting prices because it's the only way they can keep market share," said Francisco Jeronimo, a London-based analyst at IDC. He expects the company's share of global shipments and profits to decline further, and says Nokia may lose its European market leadership to Samsung Electronics Co. as early as this year.

"The best way to leverage Nokia's strengths is to be a mass producer of cheaper, good quality products, which would rapidly lower their R&D costs," said Pedersen.

One thing Nokia still offers investors is a dividend. The company plans to pay 40 cents per share for 2009, the same as in 2008 even though earnings fell 78 percent.

Apple CEO Steve Jobs hasn't paid a dividend since 1996, preferring to preserve money. Apple had \$23 billion in cash and short-term investments as of the end of March compared to Nokia's \$12.4 billion. Analysts question how long Nokia can maintain a dividend of the current size.

Listening to Investors

Nokia replaced its finance chief last year after posting the first loss since the company began reporting quarterly in 1996. Sales chief Timo Ihamuotila took over from Rick Simonson, who now runs the low-end phone unit. Kallasvuo was selected by previous CEO Ollila.

"If they change the CEO or something, that could be a trigger to the stock price performance," said Niklas Lund, a fund manager at Alandsbanken Asset Management in Helsinki. "That's not likely. He was handpicked by the chairman and you would have to change them both. Investors don't really get heard on the board."

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Product & Service News

AT&T Unveils Hefty International iPad Data Roaming Rates

May 4, 2010

AT&T Mobility out its international data roaming rates for Apple's iPad 3G, and while steep, they are in line with what iPhone users have paid.

The rates, as reported by *AppleInsider*, were confirmed by an AT&T spokeswoman, who also noted that the roaming rates are "consistent with international data options for iPhone." The plans (for use within more than 90 countries) break down as follows:

- \$24.99/month: 20 MB
- \$59.99/month: 50 MB
- \$119.99/month: 100 MB
- \$199.99/month: 200 MB

Like all of the iPad's 3G data plans, the roaming plans are prepaid and month-to-month, allowing users to sign up and stop renewing the plans whenever they wish. The 3G version of the iPad went on sale this weekend, and, although unconfirmed by Apple, Piper Jaffray analyst Gene Munster estimated Apple sold about 300,000 iPad 3G devices between Friday afternoon and Sunday afternoon, including 52 days of pre-orders.

In other iPad news, it seems that an oversight on the part of some video playback application developers was the source of some issues users experienced with streaming video applications over AT&T's 3G network. According to Apple's application guidelines, app developers "must include a low quality stream of no more than 64 Kbps for your app to resort to when network conditions demand it, along with the higher quality streams you want to deliver to your customers when the network can support it." One developer, ABC, has updated its application to reflect the requirements.

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Nokia, Microsoft Unveil Enterprise 'Communicator' Software

May 5, 2010

Nokia and Microsoft unveiled the first piece of their mobile software collaboration. Last year the two firms announced their alliance in an attempt to counter BlackBerry maker Research In Motion.

The software, called Communicator Mobile, shows smartphone users whether co-workers are available and allows them to communicate via email, text message, instant message or voice. The app is now available for download in Nokia's Ovi store. The app currently is only available for the Nokia E72 and Nokia E52, but it will be pre-installed on select Nokia smartphones in the future. There are plans to support additional devices, including the recently announced Nokia E5.

The two firms, once fierce mobile rivals, expect to release Nokia handsets later this year that support Microsoft's Office software. "We have hundreds of engineers across both companies working on the alliance, and this is just the tip of the iceberg," Kai Oistamo, the head of Nokia's devices division, told *Bloomberg* in an interview. He declined to talk about the next step for the two companies.

RIM has been making strides of its own recently. On the strength of its BlackBerry smartphones, RIM climbed into the No. 4 slot in terms of global handset market share, according to research firm IDC.

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Mergers/Acquisitions/Partnerships

GoTV Networks Acquires HOMBRE Division from Hands-On Mobile

May 5, 2010

GoTV Networks, Inc., the industry's largest mobile media network, today announced it has acquired the HOMBRE (Hands-On Mobile Binary Runtime Environment) division of Hands-On Mobile Inc.

Under the terms of the acquisition, GoTV Networks will acquire the library of HOMBRE applications, client and server technologies and patents. In addition, HOMBRE division employees joining GoTV will continue to be located in San Francisco and in a technology lab in San Diego. Hands-On Mobile Inc. will also receive an equity stake in GoTV Networks.

"This acquisition extends our capabilities as we strive to set the standard for mobile content engagement and syndication," says Thomas Ellsworth, CEO of GoTV Networks Inc. "The HOMBRE division of Hands-On Mobile has delivered an exceptional library of products for top-tier brands and media partners including the Oprah Winfrey Network, Sprint, NASCAR, Verizon Wireless and the NFL. We are pleased to add these products and the HOMBRE division team to GoTV."

GoTV Networks will also bring Scott Scherer on-board from the HOMBRE division as SVP of Product Development and Technology. He will continue to manage four key teams; product management, engineering, user experience, and quality assurance.

"This transaction is a strategic move enabling us to focus on our core competencies in gaming and extend key product lines into other areas." Said Addo Barrows, CFO and interim CEO of Hands-On Mobile, "The HOMBRE team did an exceptional job building valuable application products and strong relationships and we wish them the very best."

The acquired multi-platform, high-engagement mobile applications include:

- Oprah Mobile
- NASCAR Sprint Mobile
- Sprint Football Live
- Verizon NFL Draft
- ESPN
- NBA Multimedia
- NHRA
- Astrology Zone and Astrology Zone Premier

About GoTV Networks, Inc.

GoTV Networks enables media owners and brands to deliver compelling, personalized, highly-engaged content experiences through feature-rich smart applications distributed to the widest audience possible. This content is accessed through a broad range of mobile operators, application storefronts and wireless devices including the Apple iPhone Application Store, AT&T, Blackberry Application World, Boost Mobile, Cricket, Google Android Market, Handmark, PocketGear (Handango), Sprint, T-Mobile, Verizon Wireless, and Virgin Mobile. GoTV Networks is headquartered in Los Angeles.

<http://www.fiercemobilecontent.com>

Tekelec Snaps up Camiant, Blueslice

May 6, 2010

Tekelec, known for its work in session control and network management services, is broadening its business strategy with the acquisition of Camiant for \$130 million and Blueslice Networks for \$35 million. The company said it will leverage the synergies of these two firms, thereby giving it the ability to provide operators with differentiated broadband data services.

Tekelec's acquisition of Camiant is expected to close within a week. Camiant, a Fierce 15 2009 winner, provides policy control software and bandwidth management

systems for broadband, which dials back a subscriber's usage to 2G levels during times of heavy congestion. At other times, users can exceed their usage caps at full 3G bandwidth. This "soft cap" gives operators the ability to manage high-use periods while offering an upgrade path for customers who want to pay for higher speeds during peak traffic hours. Camiant customers include Vodafone, Sprint Nextel, Comcast and Cox Communications.

The firm's purchase of Blueslice, which closed May 5, called for Tekelec to pay \$35 million in cash and an additional \$1.5 million in cash to certain Blueslice employees upon the achievement of certain milestones. In addition, the company will grant certain Blueslice employees stock for shares having an aggregate value of approximately \$2 million. Blueslice has a subscriber data management solution that lets VoIP, fixed-mobile convergence and M2M providers share information across 2G, 3G, IMS and LTE networks. The company has 19 customers worldwide.

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Overall, Verizon maintained its lead with 31.1 percent of the U.S. market while AT&T came in second with 25.2 percent. Sprint squeaked past T-Mobile to keep the number three spot, though the companies are in a dead heat with each having about 12 percent of the U.S. market. Tracfone now has a 5.1 percent market share.

<http://www.wirelessweek.com>

Industry News

comScore: Samsung Beats Motorola for Top OEM Spot

May 7, 2010

ComScore says Samsung edged out Motorola by a fraction of a percent to take top place in the U.S. handset market in the first quarter of 2010.

Competition between Motorola, Samsung and LG remains fierce, with each company's U.S. market share separated by just fractions of percentage points.

Samsung has slightly more market share than Motorola, whose portion of the U.S. market fell 1.6 percentage points to 21.9 percent in the first quarter. LG lost one-tenth of a percent to come in at 21.8 percent of the U.S. market.

BlackBerry-maker Research In Motion (RIM) gained 1.3 percentage points to reach 8.3 percent of the U.S. market, edging slightly ahead of Nokia, which lost nine-tenths of a percentage point in the first quarter.

ComScore also said AT&T and Tracfone were the only top five operators to gain market share in the first quarter, with AT&T gaining two-tenths of a percentage point and Tracfone gaining three-tenths of a percentage point. Verizon, Sprint and T-Mobile USA all lost one-tenth of a percentage point.



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