NextWave Wireless Inc.
Form 10-Q
May 13, 2011
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, DC 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended April 2, 2011**

**OR**

¨ **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 001-33226**

# NEXTWAVE WIRELESS INC.

**(Exact name of registrant as specified in its charter)**

| **Delaware** | **20-5361360** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |

| **12264 El Camino Real, Suite 305, San Diego, California** | **92130** |
|---|---|
| **(Address of principal executive offices)** | **(Zip Code)** |

**(619) 573-1570**

**(Registrant s telephone number, including area code)**

**(Former name, former address and former fiscal year, if changed since last report)**

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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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 ¨ | Accelerated filer ¨ |
| Non-accelerated filer ¨ (Do not check if a smaller reporting company) | Smaller reporting company x |

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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

As of May 10, 2011, there were 23,729,080 shares of the Registrant s common stock outstanding.

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

**NEXTWAVE WIRELESS INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(in thousands, except par value data)**

**(unaudited)**

| | April 2, 2011 | January 1, 2011 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 31,472 | $ 42,528 |
| Restricted cash | 19 | 20 |
| Wireless spectrum licenses held for sale | 6,535 | 6,535 |
| Deferred financing costs, net | 2,394 | 3,262 |
| Prepaid expenses and other current assets | 780 | 1,092 |
| Current assets of discontinued operations | 3,568 | 3,632 |
| Total current assets | 44,768 | 57,069 |
| Wireless spectrum licenses, net | 437,622 | 437,781 |
| Property and equipment, net | 1,969 | 2,188 |
| Other assets | 115 | 115 |
| Total assets | $ 484,474 | $ 497,153 |
| **LIABILITIES AND STOCKHOLDERS DEFICIT** | | |
| Current liabilities: | | |
| Accounts payable | $ 798 | $ 947 |
| Accrued expenses | 2,560 | 3,427 |
| Current portion of long-term obligations | 834,605 | 784,649 |
| Other current liabilities | 11 | 1,272 |
| Current liabilities of discontinued operations | 486 | 515 |
| Total current liabilities | 838,460 | 790,810 |
| Deferred income tax liabilities | 85,511 | 84,688 |
| Long-term obligations, net of current portion | 17,107 | 19,821 |
| Commitments and contingencies | | |
| Stockholders deficit: | | |
| Preferred stock, $0.001 par value; 25,000 shares authorized; 355 shares designated as Series A Senior Convertible Preferred Stock; no other shares issued or outstanding | | |
| Common stock, $0.007 par value; 57,143 shares authorized; 23,729 shares issued and outstanding at April 2, 2011 and January 1, 2011 | 166 | 166 |
| Additional paid-in-capital | 887,889 | 887,676 |
| Accumulated other comprehensive income | 23,472 | 21,116 |
| Accumulated deficit | (1,368,131) | (1,307,124) |
| Total stockholders deficit | (456,604) | (398,166) |

| | | |
|---|---|---|
| Total liabilities and stockholders deficit | $ 484,474 | $ 497,153 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**NEXTWAVE WIRELESS INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS**

**(in thousands, except per share data)**

**(unaudited)**

| | Three Months Ended | |
|---|---|---|
| | April 2, 2011 | April 3, 2010 |
| Operating expenses: | | |
| General and administrative | $ 6,041 | $ 5,840 |
| Asset impairment charges | | (4) |
| Restructuring credits | (1,076) | (7) |
| Total operating expenses | 4,965 | 5,829 |
| Net gain (losses) on sale of wireless spectrum licenses | (90) | 164 |
| Loss from operations | (5,055) | (5,665) |
| Other income (expense): | | |
| Interest income | 15 | 267 |
| Interest expense | (58,502) | (44,088) |
| Gain on extinguishment of debt | | 37,988 |
| Other income (expense), net | 1,255 | 10,532 |
| Total other income (expense), net | (57,232) | 4,699 |
| Loss from continuing operations before income taxes | (62,287) | (966) |
| Income tax benefit | 161 | |
| Net loss from continuing operations | (62,126) | (966) |
| Income (loss) from discontinued operations before income taxes, net of gains on divestitures of discontinued operations of $1,655 and $1, respectively | 1,762 | (1,853) |
| Income tax provision | (643) | (97) |
| Net income (loss) from discontinued operations | 1,119 | (1,950) |
| Net income attributed to noncontrolling interest in subsidiary | | (434) |
| Net income (loss) from discontinued operations attributed to NextWave | 1,119 | (2,384) |
| Net loss attributed to NextWave | $ (61,007) | $ (3,350) |
| **Other comprehensive loss:** | | |
| Net loss | $ (61,007) | $ (2,916) |
| Foreign currency translation adjustment | 2,356 | (293) |
| Total other comprehensive loss | (58,651) | (3,209) |
| Less: other comprehensive income attributable to noncontrolling interest in subsidiary | | (11) |
| Other comprehensive loss attributed to NextWave | $ (58,651) | $ (3,220) |

| | | |
|---|---|---|
| **Amounts attributed to NextWave common shares:** | | |
| Net loss from continuing operations | $ (62,126) | $ (966) |
| Net income (loss) from discontinued operations | 1,119 | (2,384) |
| Net loss attributed to NextWave common shares | $ (61,007) | $ (3,350) |
| Net income (loss) per share attributed to NextWave common shares basic and diluted | | |
| Continuing operations | $ (2.56) | $ (0.04) |
| Discontinued operations | 0.05 | (0.10) |
| Net loss | $ (2.51) | $ (0.14) |
| Weighted average shares used in per share calculation | 24,279 | 24,232 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**NEXTWAVE WIRELESS INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(in thousands)**

**(unaudited)**

| | Three Months Ended | |
|---|---|---|
| | **April 2, 2011** | **April 3, 2010** |
| **OPERATING ACTIVITIES** | | |
| Net loss | $ (61,007) | $ (2,916) |
| Net income (loss) from discontinued operations | 1,119 | (1,950) |
| Net loss from continuing operations | (62,126) | (966) |
| Adjustments to reconcile loss from continuing operations to net cash used in operating activities of continuing operations: | | |
| Amortization of intangible assets | 1,916 | 1,920 |
| Depreciation | 219 | 81 |
| Non-cash share-based compensation | 213 | 356 |
| Paid-in-kind interest | 30,606 | 21,916 |
| Amortization of deferred financing costs and discounts | 27,894 | 21,963 |
| Gain on extinguishment of debt | | (37,988) |
| Gain (losses) on sales of wireless spectrum licenses | 90 | (164) |
| Asset impairment charges | | (4) |
| Gains from changes in estimated fair values of embedded derivatives | (1,261) | (9,469) |
| Other non-cash adjustments | (1,076) | (74) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other current assets | 312 | 418 |
| Other assets | | (337) |
| Accounts payable and accrued liabilities | (735) | (4,504) |
| Other liabilities and deferred credits | 448 | (95) |
| Net cash used in operating activities of continuing operations | (3,500) | (6,947) |
| **INVESTING ACTIVITIES** | | |
| Proceeds from (payments for) the sale of wireless spectrum licenses | (90) | 164 |
| **FINANCING ACTIVITIES** | | |
| Payments on long-term obligations | (9,711) | (3,707) |
| Proceeds from the sale of common shares | | 141 |
| Net cash used in financing activities of continuing operations | (9,711) | (3,566) |
| Cash provided (used) by discontinued operations: | | |
| Net cash used in operating activities of discontinued operations | (888) | (1,684) |
| Net cash provided by investing activities of discontinued operations | 3,046 | 61 |
| Net cash provided (used) by discontinued operations | 2,158 | (1,623) |
| Effect of foreign currency exchange rate changes on cash | 63 | (359) |
| Net decrease in cash and cash equivalents | (11,080) | (12,331) |
| Cash and cash equivalents, beginning of period | 42,598 | 20,512 |

| | | |
|---|---|---|
| Cash and cash equivalents, end of period | 31,518 | 8,181 |
| Less cash and cash equivalents of discontinued operations, end of period | (46) | (4,816) |
| Cash and cash equivalents of continuing operations, end of period | $ 31,472 | $ 3,365 |
| **NONCASH FINANCING ACTIVITIES** | | |
| Senior, Second and Third Lien Notes issued to noteholders in exchange for debt modification fees | $ | $ 21,249 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**NEXTWAVE WIRELESS INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation and Significant Accounting Policies**

***Financial Statement Preparation***

The condensed consolidated financial statements of NextWave Wireless Inc. (together with its subsidiaries, NextWave , we , our or us ) are unaudited. We have prepared the condensed consolidated financial statements in accordance with the rules and regulations of the United States Securities and Exchange Commission ( SEC ), and therefore, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. In the opinion of management, the accompanying condensed consolidated financial statements for the periods presented reflect all adjustments necessary to fairly state our financial position, results of operations and cash flows, including adjustments related to asset impairment write-offs and restructuring-related charges. These condensed consolidated financial statements should be read in conjunction with our audited financial statements for the year ended January 1, 2011, from which the balance sheet data was derived, included in our Annual Report on Form 10-K filed with the SEC on March 17, 2011.

***Basis of Presentation and Liquidity***

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. This basis of accounting contemplates the recovery of our assets and the satisfaction of our liabilities in the normal course of business. We generated net losses attributable to NextWave of $61.0 million and $3.4 million for the three months ended April 2, 2011 and April 3, 2010, respectively, and have an accumulated deficit of $1.4 billion at April 2, 2011. Our net loss from continuing operations of $1.0 million for the three months ended April 3, 2010 includes a $38.0 million noncash gain on extinguishment of debt resulting from the debt modification of our Third Lien Subordinated Secured Convertible Notes due 2011 (the Third Lien Notes ) in March 2010, which was treated as an extinguishment of debt for accounting purposes. Without this gain, we would have reported a loss from continuing operations of $39.0 million for the three months ended April 3, 2010. We used cash from operating activities of our continuing operations of $3.5 million and $6.9 million during the three months ended April 2, 2011 and April 3, 2010, respectively. Our total unrestricted cash and cash equivalents included in current assets of continuing operations at April 2, 2011 totaled $31.5 million. We had a net working capital deficit of $793.7 million at April 2, 2011.

We have funded our operations, business combinations, strategic investments and wireless spectrum license acquisitions primarily with the $550.0 million in cash received in our initial capitalization in April 2005, the net proceeds of $295.0 million from our issuance of our Senior Secured Notes (the Senior Notes ) in 2006 and 2010, the net proceeds of $351.1 million from our issuance of Series A Senior Convertible Preferred Stock (the Series A Preferred Stock ) in March 2007, which, in October 2008, we exchanged for Third Lien Notes in the aggregate principal amount of $478.3 million, and the net proceeds of $101.0 million from our issuance of Senior Subordinated Secured Second Lien Notes (the Second Lien Notes ) in October 2008 and July 2009. We did not receive any 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, in the second half of 2008, our Board of Directors approved the implementation of a global restructuring initiative, pursuant to which we have divested, either through sale, dissolution or closure, our multimedia, network infrastructure and semiconductor businesses. The results of operations of these business are reported below under the heading Discontinued Operations .

In 2010, we had capital expenditure needs associated with certain build-out or substantial service requirements which apply to our licensed wireless spectrum, which generally must be satisfied as a condition of the license. The substantial service build-out deadline for our domestic Wireless Communication Services ( WCS ) spectrum was July 21, 2010 under the Federal Communication Commission ( FCC ) rules in existence at that time. We made the capital expenditures required to complete the applicable WCS build-out requirements by the July 21, 2010 deadline. Right before the deadline, on May 20, 2010, the FCC adopted new rules that became effective September 1, 2010 replacing the July 21, 2010 substantial service requirements with new requirements that must be met by March 4, 2014 and additional requirements that must be met by September 1, 2016. Since the effective date for the new rules was in September, after the July deadline for completion of the build out required by the old rules, and we had completed the build out in accordance with the old rules, we filed substantial service showings with the FCC on July 20, 2010 for all of our WCS licenses under the rules then in effect. To date the FCC has not accepted our substantial service showings under the rules in effect on July 20, 2010; accordingly, we may be required to make additional capital expenditures to comply with the new rules. The substantial service deadline for Educational Broadband Service ( EBS ) spectrum was extended by the FCC on March 21, 2011 to November 1, 2011; however, most of our EBS leases required us to complete build-out activities in 2010, in advance of the FCC s substantial service deadline.

To meet the substantial service requirements for EBS spectrum we arranged with our EBS licensees to either (a) have the EBS licensee continue to use the spectrum to provide educational services in the cases where the EBS licensee is currently providing such service or (b) provide educational services on a network that was installed by us, at our cost, either of which option is intended to deliver educational services over the spectrum

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in compliance with the FCC s educational safe harbor to meet the substantial service showing by the deadline. We have completed build-out activities for our EBS leases. Our reliance on the EBS licensees to provide the educational service may subject us to risk of non-renewal in the event the EBS licensee fails to provide the service. In addition, the affected license(s) are subject to non-renewal if the FCC does not accept the substantial service showing. The substantial service deadline for Broadband Radio Service ( BRS ) spectrum was May 1, 2011. With respect to our domestic BRS spectrum, we have constructed and are operating a commercial system using the spectrum to meet the FCC substantial service requirement. The affected license(s) are subject to non-renewal if the FCC does not accept our substantial service showing.

***Debt Maturities and Ability to Continue as Going Concern***

Our Senior Notes, having an aggregate principal amount of $123.7 million at April 2, 2011, will mature in July 2011, and our Second Lien Notes, having an aggregate principal amount of $173.2 million at April 2, 2011, will mature in November 2011. In addition, our Third Lien Notes, having an aggregate principal amount of $618.9 million at April 2, 2011, will mature in December 2011. Our current cash reserves are not sufficient to meet these payment obligations. We also anticipate that we will be unable to consummate sales of our wireless spectrum assets yielding sufficient proceeds to retire this indebtedness at the current maturity dates. We have been engaged in discussions with the holders of our secured notes relating to a maturity extension and related amendments to our notes agreements since January 2011. At this time, the holders of our secured notes have not reached agreement on terms relating to a maturity extension, no discussions are actively ongoing, and there can be no assurance that discussions will be re-engaged or that an agreement will be reached. An independent committee of the Board of Directors has authorized Moelis and Company to seek alternative sources of financing to repay the Senior Notes and Second Lien Notes, which financing may require a maturity extension and other concessions and consents from the holders of the Third Lien Notes, which cannot be assured. At this time, alternative financing has not been identified. If we are unable to extend maturity beyond 2011, or identify and successfully implement alternative financing to repay the Senior Notes and Second Lien Notes, the holders of our Notes could proceed against the assets pledged to collateralize these obligations. These conditions raise substantial doubt about our ability to continue as a going concern. Insufficient capital to repay our debt at maturity would significantly restrict our ability to operate and could cause us to seek relief through a filing in the United States Bankruptcy Court. Any alternative financing and/or maturity extension of our Notes may be costly to obtain, and could involve the issuance of equity securities that could cause significant dilution to our existing stockholders. The accompanying financial statements have been prepared assuming the company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty. This basis contemplates the recovery of the company s assets and the satisfaction of liabilities in the normal course of business.

***Discontinued Operations***

Our continuing operations are comprised of our portfolio of licensed wireless spectrum assets. We continue to pursue sales of our wireless spectrum license assets, the net proceeds of which will be used to reduce our outstanding indebtedness.

The results of operations of our PacketVideo and Cygnus subsidiaries, our Semiconductor and Global Services Support strategic business units and our WiMAX Telecom, Inquam and South American businesses, have been reported as discontinued operations in the consolidated financial statements for all periods presented, prior to sale or dissolution of the respective business. In October 2010, we sold our remaining 65% stock ownership in our PacketVideo subsidiary.

The carrying amounts of the assets and liabilities of our discontinued operations are as follows:

| *(in thousands)* | **April 2, 2011** | **January 1, 2011** |
|---|---|---|
| Cash and cash equivalents | $ 46 | $ 70 |
| Property and equipment held for sale | 3,500 | 3,500 |
| Property and equipment, net | | 30 |
| Other current assets | 22 | 32 |
| Current assets of discontinued operations | $ 3,568 | $ 3,632 |
| Current liabilities of discontinued operations | $ 486 | $ 515 |

The financial results of our discontinued operations are as follows:

| *(in thousands)* | Three Months Ended April 2, 2011 | Three Months Ended April 3, 2010 |
|---|---|---|
| Revenues (including related party revenues of $0 and $7,069, respectively) | $ 6 | $ 18,750 |
| Total operating expenses (credits) (including related party cost of revenues of $0 and $303, respectively)[1] | (101) | 20,625 |
| Net gains on business divestitures | 1,655 | 1 |
| Income (loss) before income taxes | 1,762 | (1,853) |
| Net income (loss) from discontinued operations | 1,119 | (1,950) |
| Net income attributed to noncontrolling interest in subsidiary | | (434) |
| Net income (loss) from discontinued operations attributed to NextWave | 1,119 | (2,384) |

(1) Total operating expense credits for the three months ended April 2, 2011 includes a $0.1 million gain on the sale of equipment. Total operating expenses for the three months ended April 3, 2010 include asset impairment and restructuring charges of $1.7 million and $0.9 million, respectively.

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***Principles of Consolidation***

Our consolidated financial statements include the assets, liabilities and operating results of our wholly-owned and majority-owned subsidiaries as of April 2, 2011 and April 3, 2010, and for the three months then ended, respectively. Noncontrolling interest represents the noncontrolling shareholder s proportionate share of the net equity in our consolidated subsidiary, PacketVideo prior to the sale of our remaining 65% stock ownership in PacketVideo in October 2010. All significant intercompany accounts and transactions have been eliminated in consolidation.

***Fiscal Year End***

We operate on a 52-53 week fiscal year ending on the Saturday nearest to December 31 of the current calendar year or the following calendar year. Normally, each fiscal year consists of 52 weeks, but every five or six years the fiscal year consists of 53 weeks. Fiscal years 2011 and 2010 are 52-week years ending on December 31, 2011 and January 1, 2011, respectively. The three month periods ending on April 2, 2011 and April 3, 2010 include 13 weeks each.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, we evaluate our estimates, including those related to income taxes, share-based awards, wireless spectrum licenses and other long-lived assets. Actual results could differ from those estimates.

***Recent Accounting Pronouncements***

In December 2010, the FASB updated its guidance related to when to perform step two of the goodwill impairment test for reporting units with zero or negative carrying amounts. The updated guidance requires that for any reporting unit with a zero or negative carrying amount, and entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The updated guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Company has adopted the updated guidance for its consolidated financial statements as of the fiscal year beginning January 2011. There was no material impact upon adoption of this guidance.

**2. Related Party Transactions**

***Debt-Related Transactions***

Avenue Capital Management II, L.P., is an affiliate of Avenue Capital. Robert Symington, a portfolio manager with Avenue Capital, is a member of our Board of Directors. As of April 2, 2011, Avenue Capital and its affiliates owned shares of our issued and outstanding common stock, such that Avenue Capital would be considered a related party, $92.9 million, or 75% of the aggregate principal amount of our Senior Notes, $134.8 million, or 78% of the aggregate principal amount of our Second Lien Notes and $174.3 million, or 28% of the aggregate principal amount of our Third Lien Notes. As of April 2, 2011, Solus Core Opportunities Master Fund Ltd and its affiliates and co-investors owned shares of our issued and outstanding common stock, such that Solus would be considered a related party, $30.8 million, or 25% of the aggregate principal amount of our Senior Lien Notes, $38.3 million, or 22% of the aggregate principal amount of our Second Lien Notes and $71.5 million, or 12% of the aggregate principal amount of our Third Lien Notes.

Effective as of March 16, 2010, we entered into an Amendment and Limited Waiver (the Amendment and Waiver ) to the agreements governing our Senior Notes, Second Lien Notes and Third Lien Notes. Pursuant to the Amendment and Waiver, the maturity date of our Senior Notes was extended from July 17, 2010 to July 17, 2011, with an additional extension to October 17, 2011 if certain conditions are met, including the pendency of asset sales that would yield net proceeds sufficient to repay all then-outstanding Senior Notes. In addition, the maturity date of our Second Lien Notes was extended from December 31, 2010 to November 30, 2011. As a result of the Amendment and Waiver, the interest payable on our Senior Notes and Second Lien Notes was increased to a rate of 15% per annum and the interest payable on our Third Lien Notes was increased to a rate of 12% per annum initially, increasing 1% per annum on each of December 31, 2010, March 30, 2011, June 30, 2011 and September 30, 2011 to a maximum of 16%. As a result of the Amendment and Waiver, all Notes receive only payment-in-kind interest for the full term of such Notes, unless we elect to pay cash interest, and the redemption premium on the Notes was eliminated. The

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Amendment and Waiver reduced the requirement to maintain a minimum cash balance from $5.0 million to $1.0 million and, after payment in full on October 12, 2010 of certain designated Senior Notes with an aggregate principal and accrued interest amount of $58.8 million and the Senior Incremental Notes (as defined below) with an aggregate principal and accrued amount of $26.6 million, permitted us to retain up to $12.5 million for general working capital purposes and permitted investments.

As consideration for the Amendment and Waiver, we paid an amendment fee to each of Avenue, Solus, Douglas F. Manchester, a member of our Board of Directors and Navation, Inc. ( Navation ), an entity owned by Allen Salmasi, our Chairman, through the issuance of additional Notes under the applicable Note Agreements in an amount equal to 2.5% of the outstanding principal and accrued and unpaid interest on such holder s existing Notes as of March 16, 2010. The Fee Notes were paid on March 16, 2010 by the issuance of Senior Notes, Second Lien Notes and Third Lien Notes to Avenue Capital, Solus, Mr. Manchester and Navation, and accrue interest and become payable in accordance with the terms of the respective Note Agreements. Avenue Capital received $2.3 million in Senior Notes, $2.8 million in Second Lien Notes and $3.7 million in Third Lien Notes. Solus received $0.7 million in Senior Notes, $0.8 million in Second Lien Notes and $1.5 million in Third Lien Notes. Mr. Manchester and Navation each received $1.9 million in Third Lien Notes. The transactions contemplated by the Amendment and Waiver, including the issuance of the Senior Incremental Notes, were approved and recommended to our Board of Directors by an independent committee consisting of members of the Board of Directors who did not have any direct or indirect economic interest in the Notes.

In connection with the Amendment and Waiver, we entered into a binding commitment letter (the Commitment Letter ) with Avenue Capital Management II, L.P., acting on behalf of its managed investment funds signatory thereto ( Avenue ), and Solus Core Opportunities Master Fund Ltd and its affiliates and co-investors ( Solus ), to provide up to $25.0 million in additional financing through the purchase of additional Senior Notes (the Senior Incremental Notes ). The terms of the Commitment Letter provide that we are entitled to borrow up to $25.0 million in one or more borrowings after March 16, 2010 but prior to July 31, 2010, No commitment fee or structuring fee was payable in connection with the issuance of the Senior Incremental Notes.

The Amendment and Waiver to our Third Lien Notes, which increased the interest rate payable on our Third Lien Notes, was determined to have been accomplished with debt instruments that are substantially different, in accordance with generally accepted accounting principles, resulting in an effective extinguishment of the existing Third Lien Notes and a new issue of Third Lien Notes as of the amendment date for accounting purposes. The new issue of Third Lien Notes was recorded at fair value and that amount was used to determine the net debt extinguishment gain of $38.0 million recognized during the three months ended April 3, 2010, in other income in the accompanying condensed consolidated statements of operations.

***Revenue Transactions***

PacketVideo sold and licensed versions of its multimedia player to NTT DOCOMO, INC. ( DOCOMO ), a related party, for installation into DOCOMO handset models. PacketVideo recognized $7.1 million in related party revenues and $0.3 million in cost of revenues, during the three months ended April 3, 2010 in the consolidated statements of operations for our discontinued operations.

**3. Wireless Spectrum Licenses and Business Divestiture**

*Dispositions*

We continue to market for sale our wireless spectrum holdings and have retained Moelis and Company to explore the sale of our wireless holdings in the United States and Canada. Any sale or transfer of the ownership of our wireless spectrum holdings is generally subject to regulatory approval. We are required to use the net proceeds from the sale of our wireless spectrum licenses to redeem our Senior Notes, Second Lien Notes and Third Lien Notes.

During the three months ended April 2, 2011, we recognized $0.1 million in losses on the sale of wireless spectrum licenses which represents legal costs we incurred related to our ongoing negotiations to sell our wireless spectrum license assets.

During the three months ended April 2, 2011, we completed the sale of our remaining subsidiaries in Latin America to a third party for $3.0 million and recognized a gain on the divestiture of $1.7 million, all of which is reported in discontinued operations in the consolidated statement of operations.

During the three months ended April 3, 2010, we received lease revenue, pending completion of the sale of certain of our owned WCS spectrum licenses in the United States to a third party, of $0.3 million, and after deducting incremental costs of $0.1 million, recognized a gain of $0.2 million.

We anticipate that certain of our remaining wireless spectrum licenses will be sold within the next twelve months. Accordingly, at April 2, 2011, we classified wireless spectrum holdings with a carrying value of $6.5 million as assets held for sale, and, in accordance with accounting guidance for assets while held for sale, we are no longer amortizing these assets. Any net proceeds from these sales will be used to redeem a portion of the Senior Notes.

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*Impairment Charges*

Through our continued efforts to sell our wireless spectrum licenses in Europe and Latin American during 2010, we determined that the carrying value of certain of these spectrum licenses exceeded their fair value based primarily on bids received and negotiations with third parties regarding the sale of these licenses, which led to our decision not to pursue build-out obligations in Europe during this time period. Accordingly, during the three months ended April 3, 2010, we wrote-down the carrying value of our wireless spectrum licenses in Europe and Latin American to their estimated fair value and recognized asset impairment charges of $1.7 million, all of which is reported in discontinued operations.

**4. Restructuring Charges**

The following summarizes the restructuring activity for the three months ended April 2, 2011 and April 3, 2010 and the related restructuring liabilities:

| *(in thousands)* | Balance at Beginning of Year | Charges (Credits) to Expense | Cash Payments | Balance at End of Period |
|---|---|---|---|---|
| **For the Three Months Ended April 2, 2011** | | | | |
| Lease abandonment costs continuing operations[1] | $ 1,855 | $ (1,030) | $ (825) | $ |
| **For the Three Months Ended April 3, 2010** | | | | |
| Lease abandonment and facility closure costs[2] | $ 1,750 | $ (5) | $ | $ 1,745 |
| Other related costs, including contract termination costs, selling costs and legal fees | 349 | 969 | (147) | 1,171 |
| Total | $ 2,099 | $ 964 | $ (147) | $ 2,916 |
| Continuing operations | $ 1,833 | $ 103 | | $ 1,875 |
| Discontinued operations | 266 | 861 | | 1,041 |
| Total | $ 2,099 | $ 964 | | $ 2,916 |

(1) During the three months ended April 2, 2011, we renegotiated our $1.9 million long-term obligation, which resulted from a previous renegotiation of one of our abandoned lease liabilities, paid $0.8 million in full settlement of this obligation and recognized a $1.1 million credit to restructuring charges of continuing operations in the consolidated statements of operations.

(2) The reduction in lease abandonment and facility closure costs expense during the three months ended April 3, 2010 represents $0.1 million in reductions in our estimated lease liabilities, partially offset by interest accretion expense on long-term obligations resulting from the renegotiation of one of our abandoned lease liabilities, which is reported in interest expense of continuing operations in the consolidated statements of operations.

**5. Long-Term Obligations**

Long-term obligations held by continuing operations consist of the following:

| *(dollars in thousands)* | April 2, 2011 | January 1, 2011 |
|---|---|---|
| 15% Senior Secured Notes due July 2011, net of unamortized discounts of $1,147 and $2,215 at April 2, 2011 and January 1, 2011, respectively | $ 122,577 | $ 122,261 |
| 15% Senior-Subordinated Secured Second Lien Notes due November 2011, net of unamortized discounts of $5,842 and $7,952 at April 2, 2011 and January 1, 2011, respectively | 167,314 | 158,876 |

| | | |
|---|---|---|
| 14% Third Lien Subordinated Secured Convertible Notes due December 2011, net of unamortized discounts of $78,303 and $101,567 at April 2, 3011 and January 1, 2011, respectively | 540,567 | 497,574 |
| Wireless spectrum leases, net of unamortized discounts of $14,949 and $14,183 at April 2, 2011 and January 1, 2011, respectively; expiring from 2014 through 2036 with one to five renewal options ranging from 10 to 15 years each | 21,254 | 23,904 |
| Abandoned lease liability | | 1,855 |
| Long-term obligations | 851,712 | 804,470 |
| Less current portion | (834,605) | (784,649) |
| Long-term portion | $ 17,107 | $ 19,821 |

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The following table summarizes the activity related to our long-term obligations, net of any unamortized discounts, for the three months ended April 2, 2011 and April 3, 2010:

| | Continuing Operations | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in thousands)* | Senior Notes | Second Lien Notes | Third Lien Notes | Other | Total | Discontinued Operations | Total |
| **For the Three Months Ended April 2, 2011** | | | | | | | |
| **Balance, January 1, 2011** | $ 122,261 | $ 158,876 | $ 497,574 | $ 25,759 | $ 804,470 | $ | $ 804,470 |
| Paid-in-kind interest | 4,548 | 6,328 | 19,730 | | 30,606 | | 30,606 |
| Amortization of debt discount | 1,068 | 2,110 | 23,263 | 585 | 27,026 | | 27,026 |
| Extension of wireless spectrum lease | | | | 397 | 397 | | 397 |
| Cash payments | (5,300) | | | (4,411) | (9,711) | | (9,711) |
| Favorable settlement reclassified to restructuring credits | | | | (1,076) | (1,076) | | (1,076) |
| **Balance, April 2, 2011** | $ 122,577 | $ 167,314 | $ 540,567 | $ 21,254 | $ 851,712 | $ | $ 851,712 |
| **For the Three Months Ended April 3, 2010** | | | | | | | |
| **Balance, January 2, 2010** | $ 162,076 | $ 127,573 | $ 389,869 | $ 48,586 | $ 728,104 | $ 4,205 | $ 732,309 |
| Extinguishment of Third Lien Notes upon modification | | | (409,078) | | (409,078) | | (409,078) |
| Issuance of new Third Lien Notes upon modification | | | 367,359 | | 367,359 | | 367,359 |
| Paid-in-kind interest | 5,785 | 5,071 | 11,060 | | 21,916 | | 21,916 |
| Fee notes issued[1] | | | 13,307 | | 13,307 | | 13,307 |
| Amortization of debt discount | 2,350 | 2,632 | 14,973 | 694 | 20,649 | 68 | 20,717 |
| Cash payments | | | | (3,707) | (3,707) | | (3,707) |
| Fair value of embedded derivatives | | | (3,647) | | (3,647) | | (3,647) |
| Change in fair value of embedded derivatives | (160) | 155 | | | (5) | | (5) |
| **Balance, April 3, 2010** | $ 170,051 | $ 135,431 | $ 383,843 | $ 45,573 | $ 734,898 | $ 4,273 | $ 739,171 |

(1) The Fee Notes issued on March 16, 2010 through the issuance of $4.3 million in Senior Notes and $3.6 million in Second Lien Notes were added to the respective note discounts and, along with existing unamortized discounts, are amortized as a adjustment to interest expense over the remaining term of the modified debt instruments using the effective interest method in accordance with debt modification accounting principles

The following table summarizes the activity related to our unamortized debt issuance costs for the three months ended April 2, 2011 and April 3, 2010:

| | Unamortized Debt Issuance Costs | | | |
|---|---|---|---|---|
| *(in thousands)* | Senior Notes | Second Lien Notes | Third Lien Notes | Total |
| **For the Three Months Ended April 2, 2011** | | | | |
| **Balance at January 1, 2011** | $ 35 | $ 3,076 | $ 151 | $ 3,262 |
| Amortization of costs | (17) | (816) | (35) | (868) |
| **Balance at April 2, 2011** | $ 18 | $ 2,260 | $ 116 | $ 2,394 |
| **For the Three Months Ended April 3, 2010** | | | | |

| | | | | |
|---|---|---|---|---|
| **Balance, January 2, 2010** | $ 199 | $ 6,662 | $ | $ 6,861 |
| Issuance costs for reissued Third Lien Notes | | | 250 | 250 |
| Amortization of costs | (66) | (1,242) | (6) | (1,314) |
| **Balance at April 3, 2010** | $ 133 | $ 5,420 | $ 244 | $ 5,797 |

The July 17, 2011 maturity date of our Senior Notes may be extended to October 17, 2011 if certain conditions are met, including the pendency of asset sales that would yield net proceeds sufficient to repay all then-outstanding Senior Notes.

The interest payable on our Third Lien Notes increases 1% per annum on each of June 30, 2011 and September 30, 2011 to a maximum of 16%.

A failure to pay our Senior Notes on their July 17, 2011 maturity date would result in an event of default and after such date the principal amount of the Senior Notes will accrue default interest at a rate of 2% per annum in addition to the interest rate currently in effect. A failure to pay our Senior Notes on their maturity date would also give rise to an event of default under our Second Lien Notes and Third Lien Notes, which would entitle the holders of at least 51% of the aggregate principal amount of

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each such series of notes to declare amounts outstanding under such notes immediately due and payable prior to their scheduled maturity dates of November 2011 and December 2011, respectively. In addition, such event of default would cause the principal amount of the Second Lien Notes and the Third Lien Notes to accrue default interest at a rate of 2% per annum, in addition to the interest rate currently in effect.

**6. Net Income (Loss) Per Common Share Information**

Basic and diluted net income (loss) per common share for the two fiscal years ended January 1, 2011 is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the respective periods, without consideration of common stock equivalents. If there is a loss from continuing operations, diluted net income (loss) per share is computed in the same manner as basic net income (loss) per share is computed, even if we report net income after adjusting for discontinued operations.

Our weighted average number of common shares outstanding includes the weighted average number of 1.8 million for warrants exercisable for shares of our common stock during each of the three months ended April 2, 2011 and April 3, 2010, respectively, as they are issuable for an exercise price of $0.07 each. At April 2, 2011, 1.8 million of these warrants remained outstanding.

The following securities that could potentially reduce net income or increase net loss per share in the future are not included in the determination of diluted income (loss) per share as they are antidilutive. The share amounts are determined using a weighted average of the common stock equivalents outstanding during the respective periods.

| | Three Months Ended | |
|---|---|---|
| *(in thousands)* | **April 2, 2011** | **April 3, 2010** |
| Third Lien Notes | 7,754 | 6,779 |
| Outstanding stock options | 1,560 | 2,965 |
| Unvested restricted stock | 1,236 | |

**7. Stockholders Deficit**

Changes in shares of common stock and total stockholders deficit for the three months ended April 2, 2011 are as follows:

| *(in thousands)* | **Shares of Common Stock** | **Total Stockholders Deficit** |
|---|---|---|
| Balance at January 1, 2011 | 23,729 | $ (398,166) |
| Share-based compensation expense | | 213 |
| Foreign currency translation adjustment | | 2,356 |
| Net loss | | (61,007) |
| Balance at April 2, 2011 | 23,729 | $ (456,604) |

**8. Fair Value Measurements**

***Assets and Liabilities Measured at Fair Value on a Recurring Basis***

The following table summarizes our assets and liabilities that require fair value measurements on a recurring basis and their respective input levels based on the fair value hierarchy contained in fair value measurements and disclosures accounting guidance:

| *(in thousands)* | Fair Value | Fair Value Measurements at End of Period Using: Quoted Market Prices for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **At April 2, 2011** | | | | |
| Cash and cash equivalents | $ 31,518 | $ 31,518 | $ | $ |
| **At January 1, 2011** | | | | |
| Cash and cash equivalents | $ 42,598 | $ 42,598 | $ | $ |
| Embedded derivatives[(1)] | 1,261 | | | 1,261 |

(1) Included in other current liabilities in the accompanying condensed consolidated balance sheet

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Embedded Derivatives. The automatic extension of the maturity date of our Senior Notes from July 17, 2011 to October 17, 2011 if certain conditions are met, including the pendency of asset sales that would yield net proceeds sufficient to repay all then-outstanding Senior Notes, and our obligation to redeem the Second Lien Notes and Third Lien Notes upon an asset sale and a change in control constitute embedded derivatives under derivatives and hedging accounting guidance. Accordingly, the initial estimated fair values of the embedded derivatives were recorded as a reduction in the carrying values of the Senior Notes, Second Lien Notes and Third Lien Notes. The estimated fair value of the embedded derivatives are reported in other current liabilities in the accompanying consolidated balance sheets and subsequent changes in the fair value of the embedded derivatives are recognized in other operating income (expense) in the accompanying consolidated statements of operations. We measured the estimated fair value of the Senior Notes, Second Lien Notes and Third Lien Notes embedded derivatives using probability-weighted discounted cash flow models (Level 3 inputs). The discounted cash flow models utilize management assumptions of the probability of occurrence of an extension of the maturity date of our Senior Notes and an early redemption of the Second Lien Notes and Third Lien Notes upon an asset sale and a change in control.

The following table summarizes the activity in liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 Inputs):

| | Embedded Derivatives | | | |
|---|---|---|---|---|
| *(in thousands)* | Senior Notes | Second Lien Notes | Third Lien Notes | Total |
| Balance at January 1, 2011 | $ (794) | $ (30) | $ (437) | $ (1,261) |
| Unrealized gains included in other income (expense), net | 794 | 30 | 437 | 1,261 |
| Balance at April 2, 2011 | $ | $ | $ | $ |

***Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis***

There have been no significant changes to our assets measured at fair value on a nonrecurring basis during the three months ended April 2, 2011.

***Fair Value of Other Financial Instruments***

The carrying amounts of certain of our financial instruments of continuing operations, including cash and cash equivalents, accounts payable and accrued expenses, approximate fair value due to their short-term nature. The carrying amounts and fair values of our long-term obligations of continuing operations are as follows:

| | April 2, 2011 | | | January 1, 2011 | | |
|---|---|---|---|---|---|---|
| *(in thousands)* | Carrying Amount | Fair Value | Discount Rate | Carrying Amount | Fair Value | Discount Rate |
| Senior Notes | $ 122,577 | $ 123,821 | 15% | $ 122,261 | $ 117,450 | 15% |
| Second Lien Notes | 167,314 | 166,208 | 23% | 158,876 | 157,777 | 23% |
| Third Lien Notes | 540,567 | 540,567 | 40% | 497,574 | 497,574 | 40% |
| Wireless spectrum leases | 21,254 | 8,879 | 40% | 23,904 | 11,154 | 40% |

At April 2, 2011 and January 1, 2011, we determined the fair value of our long-term obligations using discounted cash flow models with the respective discount rates listed above, which represent our respective estimated incremental borrowing rates as of that date for that type of instrument. At January 1, 2011, our Third Lien Notes were measured using their fair value for accounting purposes upon reissuance in March 2010.

**9. Commitments and Contingencies**

***Legal Proceedings***

On September 16, 2008, a putative class action lawsuit, captioned Sandra Lifschitz, On Behalf of Herself and All Others Similarly Situated, Plaintiff, v. NextWave Wireless Inc. et al., Defendants, was filed in the U.S. District Court for the Southern District of California against us and certain of our officers. The suit alleges that the defendants made false and misleading statements and/or omissions in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The suit seeks unspecified damages, interest, costs, attorneys fees, and injunctive, equitable or other relief on behalf of a purported class of purchasers of our common stock during the period from March 30, 2007 to August 7, 2008. A second putative class action lawsuit captioned Benjamin et al. v. NextWave Wireless Inc. et al. was filed on October 21, 2008 alleging the same claims on behalf of purchasers of our common stock during an extended class period, from November 27, 2006 through August 7, 2008. On February 24, 2009, the Court issued an Order consolidating the two cases and appointing a lead plaintiff pursuant to the Private Securities Litigation Reform Act. On May 15, 2009, the lead plaintiff filed an Amended Complaint, and on June 29, 2009, we filed a Motion to Dismiss that Amended Complaint. On March 5, 2010, the Court granted our Motion to Dismiss without prejudice, permitting the lead plaintiff to file an Amended Complaint. On March 26, 2010, the lead plaintiff filed a Second Amended Consolidated Complaint and on March 16, 2011, the Court granted our Motion and

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dismissed the complaint without prejudice. The Court granted the lead plaintiff the opportunity to file a further amended complaint, and we are waiting to see if they will do so. At this time, there can be no assurance as to the ultimate outcome of this litigation. We have not recorded any significant accruals for contingent liabilities associated with this matter based on our belief that a liability, while possible, is not probable. Further, any possible range of loss cannot be estimated at this time.

We are also currently involved in other legal proceedings in the ordinary course of our business operations. We estimate the range of liability related to pending litigation where the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the claim. As additional information becomes available, we assess the potential liability related to our pending litigation and revise our estimates. As of April 2, 2011, we have not recorded any significant accruals for contingent liabilities associated with our legal proceedings based on our belief that a liability, while possible, is not probable. Further, any possible range of loss cannot be estimated at this time. Revisions to our estimate of the potential liability could materially impact future results of operations.

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**ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operation**

*In addition to historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Our actual results could differ substantially from those anticipated by such forward-looking information due to a number of factors, including but not limited to risks described in the section entitled Risk Factors and elsewhere in this Quarterly Report. Additionally, the following discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations for the year ended January 1, 2011 contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 17, 2011.*

*We operate on a 52-53 week fiscal year ending on the Saturday nearest to December 31 of the current calendar year or the following calendar year. Normally, each fiscal year consists of 52 weeks, but every five or six years the fiscal year consists of 53 weeks. Fiscal years 2011 and 2010 are 52-week years ending on December 31, 2011 and January 1, 2011, respectively. The three month periods ending April 2, 2011 and April 3, 2010 include 13 weeks each.*

*The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and extinguishment of liabilities in the normal course of business. As more fully described in Note 1 to the financial statements, we have incurred recurring operating losses and have substantial debt maturities beginning in July 2011 and our cash reserves will not be sufficient to meet these payment obligations. These conditions raise substantial doubt about our ability to continue as a going concern. The accompanying audited consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.*

**OVERVIEW**

**First Quarter**

Our net loss from continuing operations during the first quarter of 2011 was $62.1 million compared to $1.0 million, and $39.0 million prior to the gain on extinguishment of debt of $38.0 million, for the first quarter of 2010.

During the first quarter of 2011, we completed the sale of our remaining subsidiaries in Latin America to a third party for $3.0 million and recognized a gain on the divestiture of $1.7 million, all of which is reported in discontinued operations in the consolidated statement of operations.

**Our Business**

NextWave Wireless Inc. is a holding company for a significant wireless spectrum portfolio. Our continuing operations are focused on the management of our wireless spectrum interests. Our total domestic spectrum holdings consist of approximately 3.8 billion MHz POPs. The term MHz-POPs is defined as the product derived from multiplying the number of megahertz associated with a license by the population of the license s service area. Our wireless license portfolio covers approximately 214.3 million total POPs, with 102.8 million POPs covered by 20 MHz or more of spectrum, and an additional 93.0 million POPs covered by at least 10 MHz of spectrum. In addition, a number of markets, including much of the New York City 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 Advanced Wireless Service ( AWS ) bands and offers propagation and other characteristics suitable to support high-capacity, mobile broadband services.

Our international spectrum included in continuing operations include 2.3 GHz licenses in Canada with 15 million POPs covered by 30 MHz of spectrum.

We continue to pursue the sale of our wireless spectrum holdings and have retained Moelis and Company to explore the sale of our wireless holdings in United States and Canada. Any sale or transfer of the ownership of our wireless spectrum holdings is subject to regulatory approval.

We will be required to successfully monetize most of our wireless spectrum assets in order to retire our debt.

To date, we have realized a positive return on the sale of approximately 93% of our domestic AWS spectrum licenses. However, there can be no assurance that we will realize a similar return upon the sale of our remaining wireless spectrum holdings. The sale price of our wireless spectrum assets will be impacted by many factors outside of our control, including, among other things:

- the Federal Communication Commission s ( FCC ) new technical rules relating to the operation of satellite digital audio radio services and services using our WCS spectrum licenses;

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- the timing and associated costs of build-out or substantial service requirements attached to our spectrum licenses, where a failure to comply with these requirements could result in license forfeiture;

- timing of closure of potential sales, in 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 network deployments;

- availability of wireless spectrum in the United States in particular, which could be affected by potential government auctions of spectrum not previously available in the market; and

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

Our efforts to sell our wireless spectrum holdings on favorable terms has been delayed by current market conditions, as well as regulatory and other market activities involving potential buyers, including the pending acquisition of T-Mobile by AT&T, which may delay purchasing decisions by telecommunications service providers pending regulatory decisions on the transaction, and uncertainties relating to Sprint and Clearwire s WiMAX network deployment. 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 and other factors beyond our control continue to affect potential purchasers of our wireless spectrum, and there can be no assurance as to the timing of further spectrum sales or the sales prices that will be attained.

***Discontinued Operations***

The results of operations of our PacketVideo and Cygnus subsidiaries, our Semiconductor and Global Services Support strategic business units and our WiMAX Telecom, Inquam and South American businesses, have been reported as discontinued operations in the consolidated financial statements for all periods presented, prior to sale or dissolution of the respective business.

Our discontinued international operations hold a nationwide 2.0 GHz license in Norway.

**RESULTS OF OPERATIONS**

The results of operations of our PacketVideo and Cygnus subsidiaries, our Semiconductor and Global Services Support strategic business units and our WiMAX Telecom, Inquam and South American businesses, have been reported as discontinued operations in the consolidated financial statements for all periods presented, prior to sale or dissolution of the respective business.

***Comparison of Our First Quarter of 2011 to Our First Quarter of 2010 Continuing Operations***

**General and Administrative**

General and administrative expenses from continuing operations during the first quarter of 2011 were $6.0 million compared to $5.8 million for the first quarter of 2010. The $0.2 million increase is attributable primarily to maintenance expenditures associated with certain build-out or substantial service requirements of our licensed wireless spectrum, which generally must be satisfied as a condition of the license.

Included in general and administrative expenses during each of the first quarters of 2011 and 2010 is $1.9 million of amortization of finite-lived wireless spectrum. Also included in general and administrative expenses during the first quarters of 2011 and 2010 is $0.2 million and $0.4 million, respectively, of share-based compensation expense.

**Restructuring Credits**

During the first quarter of 2011, we recognized a benefit of $1.1 million resulting from a renegotiation of our $1.9 million long-term obligation stemming from a previous renegotiation of one of our abandoned lease liabilities whereby we paid $0.8 million in full settlement of the obligation.

**Net gain (losses) on Sale of Wireless Spectrum Licenses**

During the first quarter of 2011 we incurred $0.1 million in legal costs related to our ongoing negotiations to sell our wireless spectrum license assets.

During the first quarter of 2010 we received lease revenue, pending completion of the sale of certain of our owned WCS spectrum licenses in the United States to a third party, of $0.3 million, and after deducting incremental costs of $0.1 million, recognized a gain of $0.2 million.

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**Interest Expense**

Interest expense from continuing operations during the first quarter of 2011 was $58.5 million, compared to $44.1 million during the first quarter of 2010, an increase of $14.4 million. The increase is primarily attributable to higher principal and paid-in-kind interest and the March 2010 Amendment and Waiver, which increased the interest rates on our Notes. Interest expense and interest accretion of the debt discount and issuance costs related to our Third Lien Notes accounted for $17.0 million of the increase. Our Second Lien Notes accounted for an additional increase of $1.2 million due to higher principal and paid-in-kind interest, which was partially offset by $0.9 million in lower interest accretion of the debt discount and issuance costs as the Notes near maturity. These increases were partially offset by $2.7 million in lower interest expense from our Senior Notes due to the lower principal balance of our Senior Notes and lower accretion of the related debt discount and issuance costs as the Notes near maturity. Higher paid-in-kind interest on our Third Lien Notes and amortization of the related discount will continue to increase our interest expense during the remainder of the year.

**Gain on Extinguishment of Debt**

The Amendment and Waiver modification to our Third Lien Notes in March 2010, which increased the interest rate payable on our Third Lien Notes, was determined to have been accomplished with debt instruments that are substantially different, in accordance with generally accepted accounting principles, resulting in an effective extinguishment of the existing Third Lien Notes and a new issue of Third Lien Notes as of the modification date for accounting purposes. The new issue of Third Lien Notes was recorded at its estimated fair value using a discount rate of 40%, and that amount was used to determine net debt extinguishment gain recognized during the first quarter of 2010 of $38.0 million. The net gain was determined as the difference between the remaining unamortized discount under the extinguished Third Lien Notes of $123.1 million and the new discount of $164.8 million, plus $9.6 million of embedded derivative liabilities that were eliminated at the date of the extinguishment, partially offset by $13.3 million in fee notes issued to the Third Lien noteholders.

**Other Income and Expense, Net**

Other income, net, from continuing operations during the first quarter of 2011 was $1.3 million, compared to other income, net of $10.5 million during the first quarter of 2010, a decrease of $9.2 million. The decrease in other income, net, reflects primarily changes in the estimated fair values of our embedded derivatives aggregating $8.2 million and cash of $1.0 million released from escrow during the first quarter of 2010 related to our reorganization in 2005. Of the $8.2 million change in the estimated fair values of our embedded derivative liabilities, $9.6 million of the credit to other income (expense) during the first quarter of 2010 resulted from the Amendment and Waiver which eliminated the Second Lien Note redemption premiums required upon an asset sale or change in control.

**Income Taxes**

During the first quarters of 2011 and 2010, substantially all of our U.S. subsidiaries had net losses for tax purposes with full valuation allowances. During the first quarter of 2010 no income tax provision or benefit was recognized for these subsidiaries.

Our effective income tax rate during the first quarter of 2011 was 0.3% resulting in an income tax benefit of $0.2 million on our pre-tax loss of $62.3 million. The income tax benefit is a result of taxes provided on income from discontinued operations that can be offset by losses from continuing operations.

***Comparison of Our First Quarter of 2011 to Our First Quarter of 2010 Discontinued Operations***

The results of operations of our discontinued PacketVideo, Semiconductor, Global Services Support, WiMAX Telecom, Inquam and South American businesses, are as follows:

| | Three Months Ended | | |
|---|---|---|---|
| *(in millions)* | **April 2, 2011** | **April 3, 2010** | **Increase (Decrease)** |
| Revenues (including related party revenues of $0 and $7.1, respectively) | $ | $ 18.8 | $ (18.8) |
| Total operating expenses (credits) (including related party cost of revenues of $0 and $0.3, respectively) | (0.1) | 20.6 | (20.7) |
| Net gain on business divestiture | 1.7 | | 1.7 |

| | | | |
|---|---|---|---|
| Income (loss) before income taxes | 1.8 | (1.9) | 3.7 |
| Net income (loss) from discontinued operations | 1.1 | (2.0) | 3.1 |
| Net income attributed to noncontrolling interest in subsidiary | | (0.4) | 0.4 |
| Net income (loss) from discontinued operations attributed to NextWave | 1.1 | (2.4) | 3.5 |

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**Revenues**

Of the $18.8 million decrease in revenues from discontinued operations during the first quarter of 2011 when compared to the first quarter of 2010, $17.9 million was attributable to our sale of our PacketVideo subsidiary in October 2010. The remaining $0.9 million decrease was primarily attributable to the sale of our WiMAX Telecom Slovakia s.r.o. subsidiary in June of 2010.

Related party revenues during the first quarter of 2010 represent sales and royalties related to versions of PacketVideo s multimedia player sold and licensed to DOCOMO for installation into DOCOMO handset models. During the first quarter of 2010 DOCOMO owned a 35% noncontrolling interest in our PacketVideo subsidiary.

**Total Operating Expenses (Credits)**

Of the $20.7 million decrease in total operating expenses from discontinued operations during the first quarter of 2011 when compared to the first quarter of 2010, $16.5 million is attributable to the divestiture of our PacketVideo subsidiary in October 2010, $1.7 million and $0.9 million is attributable to asset impairment and restructuring charges, respectively, recognized during the first quarter of 2010 and the remaining $1.6 million is primarily attributable to our divestitures during 2010 of our discontinued Chilean subsidiaries and our WiMAX Telecom businesses in Slovakia and Switzerland.

Included in total operating expenses from discontinued operations during the first quarters of 2011 and 2010 is $0 and $1.0 million, respectively, of amortization of purchased intangible assets. Also included in total operating expenses during the first quarters of 2011 and 2010 is $0 and $1.1 million, respectively, of share-based compensation expense.

**Net Gain on Business Divestiture**

During the first quarter of 2011, we completed the sale of our remaining subsidiaries in Latin America to a third party for $3.0 million and recognized a gain on the divestiture of $1.7 million.

**Net Income Attributed to Noncontrolling Interest in Subsidiary**

During the first quarter of 2010, the net income from discontinued operations attributed to the noncontrolling interest in our subsidiary totaled $0.4 million, and represents DOCOMO s share of PacketVideo s net loss during the quarter. In October 2010, we sold our remaining 65% stock ownership in our PacketVideo subsidiary.

**Income Taxes**

The effective income tax rate for discontinued operations during the first quarter of 2011 was 36.5% resulting in a $0.6 million income tax provision on pre-tax income from discontinued operations of $1.8 million. The tax provision was recorded as a result of an allocation of the current year loss from continuing operations.

**LIQUIDITY AND CAPITAL RESOURCES**

We have funded our operations, business combinations, strategic investments and wireless spectrum license acquisitions primarily with the $550.0 million in cash received in our initial capitalization in April 2005, the net proceeds of $295.0 million from the issuance of the Senior Notes in 2006 and 2010, the net proceeds of $351.1 million from our issuance of Series A Preferred Stock in March 2007 and the net proceeds of $101.0 million from our issuance of the Second Lien Notes in 2008 and 2009. Our total unrestricted cash and cash equivalents included in continuing operations totaled $31.5 million at April 2, 2011. We had a net working capital deficit of $793.7 million at April 2, 2011.

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, in the second half of 2008, our Board of Directors approved the implementation of a global restructuring initiative, pursuant to which we have divested, either through sale, dissolution or closure, our multimedia, network infrastructure and semiconductor businesses. We have also taken other cost reduction actions. The results of operations of these businesses are reported as discontinued operations in the accompanying condensed consolidated financial statements.

During the first quarter of 2011 our continuing operations used cash of $3.5 million for operations, which includes costs to maintain our wireless spectrum licenses and costs associated with being a public reporting company. We expect that our cash requirements for our operations of

continuing operations will continue at this rate during the remainder of 2011.

In 2010, we had capital expenditure needs associated with certain build-out or substantial service requirements which apply to our licensed wireless spectrum, which generally must be satisfied as a condition of the license. The substantial service build-out deadline for our domestic WCS spectrum was July 21, 2010 under the FCC rules in existence at that time. We made the capital expenditures required to complete the applicable WCS build-out requirements by the July 21, 2010 deadline. Right before the deadline, on May 20, 2010, the FCC adopted new rules that became effective September 1, 2010 replacing the July 21, 2010 substantial service requirements with new requirements that must be met by March 4, 2014 and additional requirements that must

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be met by September 1, 2016. Since the effective date for the new rules was in September, after the July deadline for completion of the build out required by the old rules, and we had completed the build out in accordance with the old rules, we filed substantial service showings with the FCC on July 20, 2010 for all of our WCS licenses under the rules then in effect. To date the FCC has not accepted our substantial service showings under the rules in effect on July 20, 2010; accordingly, we may be required to make additional capital expenditures to comply with the new rules. The substantial service deadline for BRS spectrum was May 1, 2011, and we have completed build-out activities for our BRS spectrum. The substantial service deadline for EBS spectrum was extended by the FCC on March 21, 2011 to November 1, 2011; however, most of our EBS leases required us to complete build-out activities in 2010, in advance of the FCC s substantial service deadline. We have completed build-out activities for our EBS leases.

***Debt Maturities and Ability to Continue as a Going Concern***

Our Senior Notes, having an aggregate principal amount of $123.7 million at April 2, 2011, will mature in July 2011, and our Second Lien Notes, having an aggregate principal amount of $173.2 million at April 2, 2011, will mature in November 2011. In addition, our Third Lien Notes, having an aggregate principal amount of $618.9 million at April 2, 2011, will mature in December 2011. Our current cash reserves are not sufficient to meet these payment obligations. We also anticipate that we will be unable to consummate sales of our wireless spectrum assets yielding sufficient proceeds to retire this indebtedness at the current maturity dates. We have been engaged in discussions with the holders of our secured notes relating to a maturity extension and related amendments to our notes agreements since January 2011. At this time, the holders of our secured notes have not reached agreement on terms relating to a maturity extension, no discussions are actively ongoing, and there can be no assurance that discussions will be re-engaged or that an agreement will be reached. An independent committee of the Board of Directors has authorized Moelis and Company to seek alternative sources of financing to repay the Senior Notes and Second Lien Notes, which financing may require a maturity extension and other concessions and consents from the holders of the Third Lien Notes, which cannot be assured. At this time, alternative financing has not been identified. If we are unable to extend maturity beyond 2011, or identify and successfully implement alternative financing to repay the Senior Notes and Second Lien Notes, the holders of our Notes could proceed against the assets pledged to collateralize these obligations. These conditions raise substantial doubt about our ability to continue as a going concern. Insufficient capital to repay our debt at maturity would significantly restrict our ability to operate and could cause us to seek relief through a filing in the United States Bankruptcy Court. Any alternative financing and/or maturity extension of our Notes may be costly to obtain, and could involve the issuance of equity securities that could cause significant dilution to our existing stockholders. The accompanying financial statements have been prepared assuming the company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty. This basis contemplates the recovery of the company s assets and the satisfaction of liabilities in the normal course of business.

The following table presents our working capital deficit, and our cash and cash equivalents balances:

| *(in millions)* | | April 2, 2011 | January 1, 2011 | Increase (Decrease) for the Three Months Ended April 2, 2011 |
|---|---|---|---|---|
| Working capital deficit | | $ (793.7) | $ (733.7) | $ (60.0) |
| Cash and cash equivalents | continuing operations | $ 31.5 | $ 42.5 | $ (11.0) |
| Cash and cash equivalents | discontinued operations | | 0.1 | (0.1) |
| Total cash and cash equivalents | | $ 31.5 | $ 42.6 | $ (11.1) |

**Uses of Cash and Cash Equivalents**

The following table presents our utilization of cash and cash equivalents:

**Three Months Ended**

| *(in millions)* | **April 2, 2011** | **April 3, 2010** |
|---|---|---|
| Beginning cash and cash equivalents | $ 42.6 | $ 20.5 |
| Net operating cash used by continuing operations | (3.5) | (6.9) |
| Proceeds from (payment for) the sale of wireless spectrum licenses | (0.1) | 0.2 |
| Payments on long-term obligations, excluding wireless spectrum lease obligations | (6.1) | |
| Cash paid for wireless spectrum license lease obligations | (3.6) | (3.7) |
| Other, net | | (0.3) |
| Net operating, investing and financing cash provided (used) by discontinued operations | 2.2 | (1.6) |
| Ending cash and cash equivalents | 31.5 | 8.2 |
| Less: ending cash and cash equivalents-discontinued operations | | (4.8) |
| Ending cash and cash equivalents-continuing operations | $ 31.5 | $ 3.4 |

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There were no significant investing or financing activities during the first quarter of 2011.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, valuation of intangible assets and investments, and litigation. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results that differ from our estimates could have a significant adverse effect on our operating results and financial position. Our accounting policies are described in more detail in Note 1 to our consolidated financial statements for the year ended January 1, 2011, contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 17, 2011.

There have been no significant changes in our critical accounting policies and estimates from January 1, 2011.

**CONTRACTUAL OBLIGATIONS**

The following table summarizes our cash contractual obligations for continuing and discontinued operations at April 2, 2011, and the effect that such obligations are expected to have on our liquidity and cash flows in future periods.

| | | Payments Due by Fiscal Year Period | | | |
|---|---|---|---|---|---|
| *(in thousands)* | **Total** | **Remainder of 2011** | **Years 2012-2013** | **Years 2014-2015** | **Years 2016 and Thereafter** |
| Continuing Operations: | | | | | |
| Long-term obligations: | | | | | |
| Notes payable[1][2] | $ 915,750 | $ 915,750 | $ | $ | $ |
| Wireless spectrum leases | 36,203 | 559 | 8,680 | 8,322 | 18,642 |
| Operating leases | 337 | 153 | 184 | | |
| | 952,290 | 916,462 | 8,864 | 8,322 | 18,642 |
| Discontinued Operations - Services agreement | 8,153 | | | | 8,153 |
| Total | $ 960,443 | $ 916,462 | $ 8,864 | $ 8,322 | $ 26,795 |

(1) Amounts presented do not include the future issuance of additional Senior Notes, Second Lien Notes and Third Lien Notes in payment of interest. While we are required to redeem the Senior Notes, Second Lien Notes and Third Lien Notes using the net proceeds from any asset sales, including sales of our wireless spectrum licenses, we have assumed that the remaining principal balances of the Senior Notes, Second Lien Notes and Third Lien Notes will not be repaid until their respective maturity dates.

(2) The March 16, 2010 Amendment and Waiver of our Senior Note, Second Lien Note and Third Lien Note agreements provided for an extension of the maturity date of our Senior Notes from July 17, 2011 to October 17, 2011 if certain conditions are met and provided that all Notes will receive only payment-in-kind interest for the full term of such Notes, unless we elect to pay cash interest.

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

**Item 4. Controls and Procedures**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act ), that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosures. Because of inherent limitations, our disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of such disclosure controls and procedures are met.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during the fiscal quarter ended April 2, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. Legal Proceedings**

On September 16, 2008, a putative class action lawsuit, captioned Sandra Lifschitz, On Behalf of Herself and All Others Similarly Situated, Plaintiff, v. NextWave Wireless Inc. et al., Defendants, was filed in the U.S. District Court for the Southern District of California against us and certain of our officers. The suit alleges that the defendants made false and misleading statements and/or omissions in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The suit seeks unspecified damages, interest, costs, attorneys fees, and injunctive, equitable or other relief on behalf of a purported class of purchasers of our common stock during the period from March 30, 2007 to August 7, 2008. A second putative class action lawsuit captioned Benjamin et al. v. NextWave Wireless Inc. et al. was filed on October 21, 2008 alleging the same claims on behalf of purchasers of our common stock during an extended class period, from November 27, 2006 through August 7, 2008. On February 24, 2009, the Court issued an Order consolidating the two cases and appointing a lead plaintiff pursuant to the Private Securities Litigation Reform Act. On May 15, 2009, the lead plaintiff filed an Amended Complaint, and on June 29, 2009, we filed a Motion to Dismiss that Amended Complaint. On March 5, 2010, the Court granted our Motion to Dismiss without prejudice, permitting the lead plaintiff to file an Amended Complaint. On March 26, 2010, the lead plaintiff filed a Second Amended Consolidated Complaint. On April 30, 2010, NextWave filed a Motion to Dismiss the Second Amended Complaint and the Motion now has been fully briefed and is under submission to the court. At this time, there can be no assurance as to the ultimate outcome of this litigation. We have not recorded any significant accruals for contingent liabilities associated with this matter based on our belief that a liability, while possible, is not probable. Further, any possible range of loss cannot be estimated at this time.

We are also currently involved in other legal proceedings in the ordinary course of our business operations. We estimate the range of liability related to pending litigation where the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the claim. As additional information becomes available, we assess the potential liability related to our pending litigation and revise our estimates. As of April 2, 2011, we have not recorded any significant accruals for contingent liabilities associated with our legal proceedings based on our belief that a liability, while possible, is not probable. Further, any possible range of loss cannot be estimated at this time. Revisions to our estimate of the potential liability could materially impact future results of operations.

**ITEM 1A. Risk Factors**

Our business involves a high degree of risk. You should carefully consider the following risks together with all of the other information contained in this Annual Report before making a future investment decision with respect to our securities. If any of the following risks actually occurs, our business, financial condition and results of operations could be materially adversely affected, and the value of our securities could decline.

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**Risks Relating to Our Business**

***We have substantial debt maturities beginning in July 2011 and our cash reserves will not be sufficient to meet these payment obligations. There is currently no agreement among the holders of our secured notes relating to the terms of a maturity extension and there can be no assurance that a maturity extension will be achievable. Any maturity extension may involve significant cost, including the potential issuance of equity securities that could substantially dilute our existing stockholders.***

Our Senior Notes, having an aggregate principal amount of $123.7 million at April 2, 2011, will mature in July 2011, and our Second Lien Notes, having an aggregate principal amount of $173.2 million at April 2, 2011, will mature in November 2011. In addition, our Third Lien Notes, having an aggregate principal amount of $618.9 million at April 2, 2011, will mature in December 2011. Our current cash reserves are not sufficient to meet these payment obligations. We also anticipate that we will be unable to consummate sales of our wireless spectrum assets yielding sufficient proceeds to retire this indebtedness at the current maturity dates. We have been engaged in discussions with the holders of our secured notes relating to a maturity extension and related amendments to our notes agreements since January 2011. At this time, the holders of our secured notes have not reached agreement on terms relating to a maturity extension, no discussions are actively ongoing, and there can be no assurance that discussions will be re-engaged or that an agreement will be reached. An independent committee of the Board of Directors has authorized Moelis and Company to seek alternative sources of financing to repay the Senior Notes and Second Lien Notes, which financing may require a maturity extension and other concessions and consents from the holders of the Third Lien Notes, which cannot be assured. At this time, alternative financing has not been identified. If we are unable to extend maturity beyond 2011, or identify and successfully implement alternative financing to repay the Senior Notes and Second Lien Notes, the holders of our Notes could proceed against the assets pledged to collateralize these obligations. These conditions raise substantial doubt about our ability to continue as a going concern. Insufficient capital to repay our debt at maturity would significantly restrict our ability to operate and could cause us to seek relief through a filing in the United States Bankruptcy Court. Any alternative financing and/or maturity extension of our Notes may be costly to obtain, and could involve the issuance of equity securities that could cause significant dilution to our existing stockholders. The accompanying financial statements have been prepared assuming the company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty. This basis contemplates the recovery of the company s assets and the satisfaction of liabilities in the normal course of business.

A maturity extension of the Company s secured notes will require the consent of each affected holder of notes. Such extension may be costly to obtain, and, if successful, will result in a greater aggregate amount of indebtedness due at maturity resulting from the accrual of payment-in-kind interest for the extended term. Such extension could also involve the issuance of equity securities that could cause significant dilution to existing stockholders.

***Because there can be no assurance that we will be successful in obtaining a debt maturity extension or refinancing our debt, there is substantial doubt as to our ability to continue as a going concern, and our independent registered public accounting firm has included an explanatory paragraph highlighting this uncertainty in its report dated March 16, 2011.***

If the Company is unable to obtain a debt maturity extension or refinance its debt, it does not believe it will be able to pay its secured notes indebtedness at the current maturity dates. A failure to pay our Senior Notes at their maturity date on July 17, 2011 would give rise to a cross-default under our Second Lien Notes and Third Lien Notes, which would entitle the holders of at least 51% of the aggregate principal amount of such series of notes to declare amounts outstanding under such notes immediately due and payable prior to their scheduled maturity dates of November 2011 and December 2011, respectively. In addition, such event of default would cause the principal amount of the Senior Notes, Second Lien Notes and Third Lien Notes to accrue default interest at a rate of 2% per annum, in addition to the interest rate currently in effect.

The holders of our notes could proceed against the assets pledged to collateralize these obligations, which include the Company s spectrum assets and the capital stock of its material subsidiaries. A failure to obtain a maturity extension could cause the Company to seek relief through a filing in the United States Bankruptcy Court. Our financial statements are prepared on a going concern basis, which assumes continuity of operations and realization of assets and satisfaction of liabilities in the ordinary course of business. Our financial statements do not include any adjustments related to the recovery of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern. Our ability to continue as a going concern is predicated upon our ability to obtain a maturity extension of our debt.

***Our capital structure requires that we successfully monetize most of our wireless spectrum assets for net proceeds substantially in excess of our cost basis in order to retire our debt. The value of our equity securities is dependent on our ability to successfully retire our debt.***

If we obtain a maturity extension, the aggregate amount of our secured debt will be increased due to accrued payment-in-kind interest for the extended term to maturity. There is no guarantee that we will be able to find third parties interested in purchasing our wireless spectrum assets at prices sufficient to retire this debt prior to maturity, even if extended. If we are unable to consummate sales of our wireless spectrum assets for net proceeds that are sufficient to retire our indebtedness, the value of our equity securities will be significantly impaired or eliminated. The sale

price of our wireless spectrum assets will be impacted by many factors beyond our control including, among other things:

- the Federal Communication Commission ( FCC ) s new technical rules relating to the operation of satellite digital audio radio services and services using our WCS spectrum licenses;

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- the timing and allocated costs of 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, particularly if it is necessary to accelerate the planned sale of certain of our spectrum licenses in order to meet debt payment obligations if we are not able to obtain a maturity extension;

- worldwide economic conditions which we believe have adversely affected manufacturers of telecommunications equipment and technology and led to a delay in global network deployments;

- availability of wireless spectrum in the United States in particular, which could be affected by potential government auctions of spectrum not previously available in the market; and

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

If we are unable to consummate sales of our wireless spectrum assets that are sufficient to retire our indebtedness, the holders of our notes could proceed against the assets pledged to collateralize these obligations, which include our spectrum assets and the capital stock of our material subsidiaries, which would impair our ability to continue as a going concern and the value of our equity securities would be impaired or eliminated.

***If we successfully monetize our wireless spectrum assets at prices substantially in excess of our cost basis in order to retire our debt, we will rely on our substantial net operating loss carryforwards to offset the taxable gains that may arise as a result of such sales. Accordingly, if the use of our expected net operating loss carryforwards becomes limited, the after-tax proceeds realized from our spectrum sales may be reduced and the value of our equity securities or debt securities may be impaired.***

As stated above, our capital structure requires that we successfully monetize a substantial portion of our wireless spectrum assets for net proceeds substantially in excess of our cost basis in order to retire our debt. The value of our equity securities is dependent on our ability to successfully retire our debt. We estimate that, as of December 31, 2010, we had federal income tax net operating loss carryforwards ( NOLs ) of approximately $730.7 million, which begin to expire in 2018. We plan to use our substantial NOLs to offset future gains on the sale of our spectrum assets. If our ability to use our NOLs as anticipated to offset any gains is limited, the after-tax proceeds realized from our spectrum sales may be reduced. Depending on the ultimate sale prices for our spectrum assets, the availability of our NOLs may be essential to ensuring the full payment of our Third Lien Debt and/or the realization of value for our equity securities.

Under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an ownership change may generally thereafter only utilize its pre-change losses to offset a fixed amount of taxable income per year, subject to certain adjustments. A corporation generally undergoes an ownership change if the percentage of stock of the corporation owned by one or more 5% shareholders has increased by more than 50 percentage points over a three year period (with certain groups of less-than-5% shareholders treated as a single shareholder for this purpose).

Based on our analysis to date, we do not believe that we have undergone an ownership change in the past. However, subsequent changes in our stock ownership, including the purchase or sale of our common stock by 5% shareholders, changes in the indirect beneficial ownership of such stock, and issuances or redemptions of common stock or other equity securities by us could result in an ownership change that would trigger the imposition of limitations under Section 382. If an ownership change occurs, the availability of our NOLs may be severely limited, subject to an adjustment for so-called net built-in gains that are recognized that within the five year period after the ownership change. Although we would expect to significantly benefit from the adjustment for net built-in gains with respect to any spectrum sales following an ownership change, the availability of our NOLs against any future gains from such sales may nevertheless be materially impaired.

The amount and availability of our NOLs is subject to examination and adjustment by the Internal Revenue Service (IRS). Accordingly, there is no assurance that the IRS will agree with our determination as to the available amount of NOLs in respect of any spectrum sales. In addition, the rules relating to U.S. federal income taxation are under ongoing review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in U.S. federal tax laws and interpretations thereof could adversely impair our currently expected ability to use our NOLs.

***We are highly leveraged and our operating flexibility will be significantly reduced by our debt covenants.***

As of April 2, 2011, the aggregate principal amount of our secured indebtedness was $915.8 million. This amount includes our Senior Notes with an aggregate principal amount of $123.7 million, our Second Lien Notes with an aggregate principal amount of $173.2 million and our Third Lien Notes with an aggregate principal amount of $618.9 million. Covenants in the purchase agreements for our Senior Notes and Second Lien Notes impose operating and financial restrictions on us. These restrictions prohibit or limit our ability, and the ability of our subsidiaries, to, among other things:

pay dividends to our stockholders;

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incur, or cause to incur, additional indebtedness or incur liens;

sell assets for consideration other than cash or for net proceeds less than our cost basis;

consolidate or merge with or into other companies;

issue shares of our common stock or securities of our subsidiaries;

make capital expenditures or other strategic investments in our business not contemplated by our operating budget; or

acquire assets or make investments.

We anticipate that our overall level of indebtedness and covenant restrictions will:

limit our ability to pursue business opportunities;

render us more vulnerable to general adverse economic, regulatory and industry conditions; and

require us to dedicate proceeds from asset sales to service our debt.

A breach of any covenants contained in the note purchase agreements governing our secured notes could result in a default under our indebtedness. If we are unable to repay or refinance those amounts, the holders of our notes could proceed against the assets pledged to collateralize these obligations, which include our spectrum assets and substantially all of our other assets.

***The terms of our Senior Notes and Second Lien Notes require us to certify our compliance with a restrictive operating budget and to maintain a minimum cash balance. A failure to comply with these terms may result in an event of default which could result in the acceleration of maturity of our indebtedness and impair our ability to continue as a going concern.***

The terms of our Senior Notes and Second Lien Notes require us to deliver a six-month operating budget to the noteholders on a quarterly basis, which budget is reasonably acceptable to Avenue AIV US, L.P., an affiliate of Avenue Capital Management II, L.P. ( Avenue Capital ). Avenue Capital holds 78% of the aggregate principal amount of our Second Lien Notes and 75% of the aggregate principal amount of our Senior Notes. We must deliver monthly certifications relating to our cash balances to the holders of our Senior Notes and Second Lien Notes. If we are unable to certify that our cash balances have not deviated in a negative manner by more than 10% from budgeted balances, default interest will accrue and, if such condition persists for three monthly reporting periods an event of default would occur under our Senior Notes, Second Lien Notes, and, if the maturity of the foregoing indebtedness were to be accelerated, an event of default would occur under our Third Lien Notes. In addition, we must certify that we have maintained a minimum cash balance of $1.0 million, and any failure to maintain such minimum cash balance will result in an immediate event of default under our Senior Notes, Second lien Notes, and, if the maturity of the foregoing indebtedness were to be accelerated, our Third Lien Notes. Upon an acceleration of our debt following an event of default, the holders of our notes could proceed against the assets pledged to collateralize these obligations, which include our spectrum assets, which would impair our ability to continue as a going concern.

***We have become and may continue to be the target of securities class action suits and derivative suits which could result in substantial costs and divert management attention and resources.***

Securities class action suits and derivative suits are often brought against companies following periods of volatility in the market price of their securities. Defending against these suits can result in substantial costs to us and divert the attention of our management.

On September 16, 2008, a putative class action lawsuit, captioned Sandra Lifschitz, On Behalf of Herself and All Others Similarly Situated, Plaintiff, v. NextWave Wireless Inc. et al., Defendants, was filed in the U.S. District Court for the Southern District of California against us and certain of our officers. The suit alleges that the defendants made false and misleading statements and/or omissions in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The suit seeks unspecified damages, interest, costs, attorneys fees, and injunctive, equitable or other relief on behalf of a purported class of purchasers of our common stock during the period from March 30, 2007 to August 7, 2008. A second putative class action lawsuit captioned Benjamin et al. v. NextWave Wireless Inc. et al. was filed on October 21, 2008 alleging the same claims on behalf of purchasers of our common stock during an extended class period, from November 27, 2006 through August 7, 2008. On February 24, 2009, the Court issued an Order consolidating the two cases and appointing a lead plaintiff pursuant to the Private Securities Litigation Reform Act. On May 15, 2009, the lead plaintiff filed an Amended Complaint, and on June 29, 2009, we filed a Motion to Dismiss that Amended Complaint. On March 5, 2010, the Court granted our Motion to Dismiss without prejudice, permitting the lead plaintiff to file an Amended Complaint. On March 26, 2010, the lead plaintiff filed a Second Amended Consolidated Complaint and on March 16, 2011, the Court granted our Motion and dismissed the complaint without prejudice. The Court granted the lead plaintiff the opportunity to file a further amended complaint, and we are waiting to see if they will do so. At this time, there can be no assurance as to the ultimate outcome of this litigation. We have not recorded any significant accruals for contingent liabilities associated with this matter based on our belief that a liability, while possible, is not probable. Further, any possible range of loss cannot be estimated at this time.

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***Our common stock is no longer traded on The Nasdaq Global Market ( Nasdaq ) or any national securities exchange and investors no longer have the benefit of certain exemptions from state securities laws governing resales, liquidity benefits and governance protections afforded by a Nasdaq listing.***

As a result of our delisting from Nasdaq in July 2010, we are not currently subject to its corporate governance requirements and you may not have the same protections as are afforded to stockholders of companies listed on the Nasdaq. For example, we are no longer required to maintain a majority of independent directors on our Board of Directors. Delisting from the Nasdaq may also result in increased obligations under state securities laws and decreased coverage by security analysts.

Our common stock is quoted on the OTCQB, an over-the-counter electronic quotation service operated by Pink OTC Markets Inc. Markets operated by Pink OTC Markets Inc. are generally regarded as less efficient and liquid than Nasdaq. The ability to trade our common stock on the OTCQB depends on the presence and investment decisions of willing buyers and sellers. Accordingly, if an active and liquid trading market price for our common stock does not develop or, if developed, does not continue, the market price of our common stock will be adversely affected. In addition, because we are no longer listed on Nasdaq, sales of our common stock by brokers in certain states may be limited or prohibited pending completion of registration filings required under state securities laws.

Trading in our common stock may be subject to the requirements of certain rules promulgated by the SEC under the Securities Exchange Act of 1934, which require additional disclosure by broker-dealers in connections with any trade involving a stock defined as a penny stock . A penny stock is any equity security that has a market price per share of less than $5.00, subject to certain exceptions, such as any securities listed on a national securities exchange. Additional disclosure burdens relating to penny stocks imposed upon broker-dealers by the SEC requirements could discourage broker-dealers from facilitating trades in our common stock, which could limit the market liquidity of the stock and the ability of investors to trade our common stock.

***Special Risk Considerations Relating to our October 2010 Sale of our Remaining Interest in PacketVideo Corporation to NTT DOCOMO, INC.***

***The stock purchase agreement may expose us to contingent liabilities.***

Under the stock purchase agreement, we agreed to indemnify DOCOMO, jointly and severally with NextWave Broadband, for losses arising out of any inaccuracy or breach of any representation or warranty of the Company, NextWave Broadband or PacketVideo or any breach of any covenant or agreement by the Company, NextWave Broadband or PacketVideo, subject to certain limitations. Significant indemnification claims by DOCOMO could have a material adverse effect on our financial condition. In the event that claims for indemnification for such losses exceed the $0.2 million threshold, we may be obligated to indemnify DOCOMO for up to $8.0 million of such losses, unless the claim for indemnification is based upon, arising out of or relating to any matter constituting fraud, in which case there is no limit. This indemnification expires in June 2011.

***We no longer have any significant operating revenues.***

Given our previous divestiture and/or discontinuation of operations of our network infrastructure subsidiaries, all of our significant operating revenues during the first nine months of 2010 were generated by PacketVideo. After the sale of the PacketVideo shares to DOCOMO in October 2010, we no longer have any significant operating revenues and, if we are not able to successfully sell our wireless spectrum assets to generate cash flow, we may not be able to comply with our debt covenants and may not be able to continue as going concern.

***After the sale we are a very small public company without any significant operating revenues.***

The Company remains a publicly traded company and continues to be subject to SEC rules and regulations, including the Sarbanes-Oxley Act of 2002. While all public companies face the costs and burdens associated with being publicly traded, given the small size of our company and the lack of significant operating revenues, these costs and burdens are significant to us.

***Risks Relating to Government Regulation***

***If we do not comply with build-out requirements relating to our domestic spectrum licenses, such licenses could be subject to forfeiture.***

Certain build-out or substantial service requirements apply to our licensed wireless spectrum, which generally must be satisfied as a condition of the license and/or license renewal. In particular, the renewal deadline and the substantial service build-out deadline for our domestic Broadband Radio Service ( BRS ) spectrum was May 1, 2011; for our Educational Broadband Service ( EBS ) spectrum the build-out deadline is

November 1, 2011; for our domestic WCS spectrum the FCC adopted new rules, purporting to supersede the July 21, 2010 build-out deadline, establishing two substantial service deadlines of 42 months and 72 months after September 1, 2010, which was the effective date of the new rules; and for our domestic AWS spectrum, the substantial service build-out deadline is December 18, 2021. Failure to make the substantial service demonstration domestically, without seeking and obtaining an extension from the FCC, would result in forfeiture of the affected license.

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The substantial service deadline for EBS spectrum was extended by the FCC on March 21, 2011 to November 1, 2011; however, most of our EBS leases required us to complete build-out activities in 2010, in advance of the FCC s substantial service deadline. To meet the substantial service requirements for EBS spectrum we arranged with our EBS licensees to either (a) have the EBS licensee continue to use the spectrum to provide educational services in the cases where the EBS licensee is currently providing such service or (b) provide educational services on a network that was installed by us, at our cost, either of which option is intended to deliver educational services over the spectrum in compliance with the FCC s educational safe harbor to meet the substantial service showing by the deadline. We have completed build-out activities for our EBS leases. Our reliance on the EBS licensees to provide the educational service may subject us to risk of non-renewal in the event the EBS licensee fails to provide the service. In addition, the affected license(s) are subject to non-renewal if the FCC does not accept the substantial service showing. The substantial service deadline for BRS spectrum was May 1, 2011. With respect to our domestic BRS spectrum, we have constructed and are operating a commercial system using the spectrum to meet the FCC substantial service requirement. The affected license(s) are subject to non-renewal if the FCC does not accept our substantial service showing.

The substantial service deadline for our domestic WCS spectrum was July 21, 2010 under the FCC rules effective at that time. However, the FCC adopted new rules on May 20, 2010, that, when they became effective on September 1, 2010, purported to replace the July 21, 2010 substantial service requirement with new requirements that must be met 42 and 72 months after the date that new WCS technical and service rules became effective. We filed substantial service showings with the FCC on July 20, 2010 for all of our WCS licenses under the rules then in effect. While the FCC has not accepted our substantial service showings filed on July 20, 2010, the FCC has granted all pending WCS license renewal applications, including those that we filed in April of 2007, conditioned on the outcome of an ongoing FCC rulemaking proceeding regarding wireless license renewal procedures. There can be no assurance of how the FCC will ultimately treat the WCS license renewal applications. The new WCS rules that the FCC adopted in May of 2010 require two new substantial service showings to be made by March 4, 2014 and by September 1, 2016. Failure to make the substantial service demonstrations without seeking and obtaining an extension from the FCC would result in license forfeiture.

AWS licensees must comply with all applicable legal and technical rules imposed by the FCC, including those found in Part 27 of Title 47 of the CFR. All of our AWS licenses are granted for a 15-year license term, with a renewal term of ten-years. AWS licensees are required to demonstrate that they are providing substantial service in their license area within the initial 15-year license term. For our AWS licenses, the renewal deadline and the substantial service build-out deadline is December 18, 2021. Failure to make the substantial service demonstration, without seeking and obtaining an extension from the FCC, would result in license forfeiture.

The AWS spectrum includes a large number of incumbent federal government and non-government operations that must be relocated to other spectrum. AWS licensees are required to coordinate their operations to avoid interfering with these incumbent stations until relocation is complete. A small number of these incumbent stations must be protected indefinitely. In certain cases, the AWS licensee must pay for the relocation of incumbent stations within the AWS licensee s license area. AWS licensees are effectively prohibited from deploying TDD systems in the AWS spectrum. These requirements could affect the value of our AWS spectrum.

The FCC s rules for meeting the substantial service requirements are written generally so as to enable flexibility in providing service. However, because the rules are subject to interpretation, the FCC has discretion in determining if the substantial service showing is adequate to meet the rules and there is a risk that the FCC may not approve the substantial service showing and any of our licenses that did not meet the substantial service requirement would then be subject to non-renewal.

We operate or hold spectrum licenses through various subsidiaries in Canada and Norway. In Canada, our 2.3 GHz licenses are subject to mid-term in-use demonstration requirements in November of 2012 and in April of 2013 and failure to make those demonstrations could result in forfeiture of the license. We do not have specific build-out obligations in Norway.

***Our use of EBS spectrum is subject to privately negotiated lease agreements. Changes in FCC Rules governing such lease agreements, contractual disputes with EBS licensees, or failures by EBS licensees to comply with FCC Rules could impact our use of the spectrum.***

With few exceptions, commercial enterprises are restricted from holding licenses for EBS spectrum. Eligibility for EBS spectrum is limited to accredited educational institutions, governmental organizations engaged in the formal education of enrolled students (e.g., school districts), and nonprofit organizations whose purposes are educational. Access to EBS spectrum can only be gained by commercial enterprises through privately-negotiated EBS lease agreements. FCC regulation of EBS leases, private interpretation of EBS lease terms, private contractual disputes, and failure of an EBS licensee to comply with FCC regulations all could impact our use of EBS spectrum and the value of our leased EBS spectrum. The FCC Rules permit EBS licensees to enter into lease agreements with a maximum term of 30 years; lease agreements with terms longer than 15 years must contain a right of review by the EBS licensee every five years beginning in year 15. The right of review must afford the EBS licensee with an opportunity to review its educational use requirements in light of changes in educational needs, technology, and other relevant factors and to obtain access to such additional services, capacity, support, and/or equipment as the parties shall agree upon in the spectrum leasing arrangement to advance the EBS licensee s educational mission. A spectrum leasing arrangement may include

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any mutually agreeable terms designed to accommodate changes in the EBS licensee s educational use requirements and the commercial lessee s wireless broadband operations. In addition, the terms of EBS lease agreements are subject to contract interpretation and disputes could arise with EBS licensees. There can be no assurance that EBS leases will continue for the full lease term, or be extended beyond the current term, or be renewed or extended on terms that are satisfactory to us. Similarly, since we are not eligible to hold EBS licenses, we must rely on EBS licensees with whom we contract to comply with FCC Rules. The failure of an EBS licensee from whom we lease spectrum to comply with the terms of their FCC authorization or FCC Rules could result in termination, forfeiture or non-renewal of their authorization, which would negatively impact the amount of spectrum available for our use.

***We have no guarantee that the licenses we hold or lease will be renewed.***

The FCC generally grants wireless licenses for terms of ten or 15 years, which are subject to renewal and revocation. FCC Rules require all wireless licensees to comply with applicable FCC Rules and policies and the Communications Act of 1934, as amended (the Communications Act ), in order to retain their licenses. For example, licensees must meet certain construction requirements, including making substantial service demonstrations, in order to retain and renew FCC licenses. Failure to comply with FCC requirements with respect to any license could result in revocation or non-renewal of a license. In general, most wireless licensees who meet their construction and/or substantial service requirements are afforded renewal expectancy; however, all FCC license renewals can be challenged in various ways, regardless of whether such challenges have any legal merit. Under FCC Rules, licenses continue in effect during the pendency of timely filed renewal applications. Challenges to license renewals, while uncommon, may impact the timing of renewal grants and may impose legal costs. Accordingly, there is no guarantee that licenses we hold or lease will remain in full force and effect or be renewed.

We hold 30 licenses issued by the FCC for WCS spectrum. Renewal applications for all 2.3 GHz WCS licenses, including those issued to us, were due to be filed with the FCC on July 21, 2007. We filed our WCS renewal applications on April 23, 2007. Under FCC Rules, licenses continue in effect during the pendency of timely file renewal applications. We are aware of three parties that made filings purporting to be competing applications in response to the renewal applications we, AT&T, and others filed. The basis on which the third-party filings were made was the alleged failure of WCS licensees to deploy service on WCS spectrum and satisfy substantial service requirements by July 21, 2007. However, on December 1, 2006, the FCC issued a waiver order extending the substantial service deadline for WCS licensees to July 21, 2010. The FCC s rules contain no procedures for processing competing applications filed for WCS spectrum and the FCC has not accepted them for filing. The FCC granted all pending WCS license renewal applications, including those that we filed in April of 2007. However, the grant of these applications was conditioned on the outcome of an ongoing FCC rulemaking proceeding regarding wireless license renewal procedures in which the FCC has proposed to dismiss all pending competing applications . There can be no assurance of how the FCC will ultimately treat the competing applications or the WCS license renewal applications.

***Interference could negatively impact our use of wireless spectrum we hold, lease or use.***

Under applicable FCC and equivalent international rules, users of wireless spectrum must comply with technical rules that are intended to eliminate or diminish harmful radiofrequency interference between wireless users. Licensed spectrum is generally entitled to interference protection, subject to technical rules applicable to the radio service, while unlicensed spectrum has no interference protection rights and must accept interference caused by other users.

***Wireless devices utilizing WCS, BRS and EBS spectrum may be susceptible to interference from Satellite Digital Audio Radio Services ( SDARS ).***

Since 1997, the FCC has considered a proposal to permanently authorize terrestrial repeaters for SDARS operations adjacent to the C and D blocks of the WCS band. The FCC has permitted a large number of these SDARS terrestrial repeaters to operate on a special temporary authorization since 2001. Permanently authorizing SDARS repeaters adjacent to the WCS band could cause interference to WCS, BRS and EBS receivers. The extent of the interference from SDARS repeaters is unclear and will depend on the effectiveness of the new rules adopted by the FCC on May 20, 2010 (as further described below) and the operation of SDARS equipment under the new rules. Because WCS C and D block licenses are adjacent to the SDARS spectrum, the potential for interference to this spectrum is of greatest concern. There is a lesser magnitude concern regarding interference from SDARS to WCS A and B block licenses, and BRS and EBS licenses. The FCC adopted new technical rules on May 20, 2010 to govern WCS and SDARS operations. These rules became effective on September 1, 2010. Operation of both WCS and SDARS equipment under the new rules could result in interference to our WCS, BRS or EBS spectrum, which could impair the value of this spectrum.

***Increasing regulation of the tower industry may make it difficult to deploy new towers and antenna facilities which could adversely affect the value of certain of our wireless spectrum assets.***

The FCC, together with the Federal Aviation Administration ( FAA ), regulates tower marking and lighting. In addition, tower construction and deployment of antenna facilities is impacted by federal, state and local statutes addressing zoning, environmental protection and historic preservation.

The FCC adopted significant changes to its rules governing historic preservation review of new tower projects, which makes it more difficult and expensive to deploy towers and antenna facilities. The FCC also is considering changes to its rules regarding when routine environmental evaluations will be required to determine compliance of antenna facilities with its

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radiofrequency radiation exposure limits. If adopted, these regulations could make it more difficult to deploy facilities. In addition, the FAA has proposed modifications to its rules that would impose certain notification requirements upon entities seeking to (i) construct or modify any tower or transmitting structure located within certain proximity parameters of any airport or heliport, and/or (ii) construct or modify transmission facilities using the 2500-2700 MHz radiofrequency band, which encompasses virtually all of the BRS/EBS frequency band. If adopted, these requirements could impose new administrative burdens upon use of BRS/EBS spectrum.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**ITEM 3. Default Upon Senior Securities**

None.

**ITEM 4. Removed and reserved**

**ITEM 5. Other Information**

None.

**ITEM 6. Exhibits**

| Exhibit No. | Description |
|---|---|
| 10.1 | Form of Long-Term Incentive Award Agreement. |
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Frank Cassou. |
| 31.2 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Francis J. Harding. |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Frank Cassou. |
| 32.2 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Francis J. Harding. |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**NEXTWAVE WIRELESS INC.** (Registrant)

May 13, 2011
(Date)

By: /s/ Francis J. Harding
Francis J. Harding
Executive Vice President and
Chief Financial Officer

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