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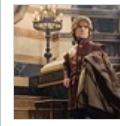
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# Qualcomm Suspends Sales of Mobile-Video Hardware

By ROGER CHENG

Updated Oct. 6, 2010 12:01 a.m. ET

Qualcomm Inc. said it would suspend sales of devices that run on its mobile broadcast-video service, taking what could be a step toward scuttling the troubled project and freeing up valuable wireless spectrum for sale.

The San Diego company stopped short of stating whether it plans to switch off the network, known as FLO TV, which the company has been trying to sell.

Qualcomm said it expects to maintain the network so subscribers that bought its FLO-TV devices can continue to receive programming into spring 2011.

The company added that if it does decide to discontinue the service, it will make appropriate refunds to subscribers. Qualcomm also said it expects layoffs related to the suspension.

FLO TV service, which broadcasts TV programming to mobile devices, never really made an impression with consumers. The underlying spectrum that powers the service, however, remains a valuable asset.

Analysts expect the company to turn around and sell the spectrum—which has already been cleared for wireless use—to a major carrier.

"It's no surprise," said Edward Snyder, an analyst at Charter Equity Research. "They've been losing traction steadily for the last year."

In July, Qualcomm said it had been examining strategic opportunities for the unit, launched six years ago. The company hasn't disclosed subscriber figures, but Chief Executive Paul Jacobs has expressed disappointment in usage of the network.

MediaFLO was initially offered up as an add-on service to Verizon Wireless and AT&T Inc. But a limited selection of phones that could use the service—FLO required an antenna that had to be extended out of the handset—and the small number of available markets hamstrung its popularity.

Last fall, Qualcomm tried to directly sell the product to consumers through a personal media device and even sprung for a commercial during the Super Bowl to promote the service. The product cost \$249 with six months of service included in the hardware.

Now, candidates to acquire the spectrum include Verizon Wireless, which is jointly owned by Verizon Communications Inc. and Vodafone Group PLC, and AT&T. Mr. Snyder estimated the airwaves could fetch roughly \$2 billion.

Qualcomm's spectrum runs on the same frequency as that held by the nation's two largest carriers. The company paid \$125 million for the spectrum the service uses now, and paid \$558 million in 2008 for additional spectrum in five major metropolitan areas.

Spokesmen for both AT&T and Verizon Wireless declined to comment. A spokeswoman for Qualcomm declined to comment on the prospect of selling the spectrum.

—Don Clark and Kathy Shwiff contributed to this article.

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