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**UNITED STATES RECOVERS \$130 MILLION IN CIVIL DAMAGES FROM  
MARIO GABELLI AND AFFILIATES FOR ALLEGEDLY DEFRAUDING  
THE FEDERAL COMMUNICATIONS COMMISSION**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today that the United States, on behalf of the Federal Communications Commission ("FCC"), has reached a settlement in the amount of \$130 million with Mario Gabelli and 38 affiliated entities and individuals to resolve civil allegations of fraud in connection with the participation of these individuals and entities in wireless spectrum license auctions conducted by the FCC. The settlement was approved today by United States District Judge PAUL A. CROTTY in Manhattan federal court.

The Government's civil Complaint names Mario Gabelli and 38 other entities or individuals that participated in the alleged scheme over the course of eight FCC auctions from 1995 to 2000. According to the Complaint, the FCC established rules for certain auctions that, depending on the auction, permitted only "small" or "very small" businesses to participate in the auction or to qualify for bidding credits and favorable financing.

Because Mr. Gabelli and his affiliated companies would not have qualified as small or very small businesses in these auctions, the complaint alleges, various friends and relatives of Mr. Gabelli were recruited to serve as officers of bogus small or very small businesses that existed only on paper, solely to certify that they met the FCC's eligibility rules. The complaint alleges that these purported telecommunications entrepreneurs included a former aerobics instructor, the caretaker of Mr. Gabelli's vacation home, a retired professional basketball player, and a relative of Mr. Gabelli who did not know what "spectrum" was or what "FCC" stood for. The complaint further charges that none of these individuals possessed any relevant telecommunications experience or knowledge, and that control over the supposed businesses always remained with Mr. Gabelli and his affiliated companies. As the complaint details, on several

occasions, the licenses were ultimately transferred to third parties at a substantial profit.

The Government's Complaint charges that the defendants violated the False Claims Act and were unjustly enriched by submitting false certifications of eligibility to the FCC to participate in FCC auctions, to obtain bidding credits and/or favorable governmental financing, and to obtain the FCC's approval to transfer licenses to third parties.

The lawsuit was originally filed by R.C. Taylor III, under the whistleblower provisions of the False Claims Act. As a result of the Government's intervention in the suit and settlement of the claims against defendants, Mr. Taylor will be entitled to \$32.2 million of the recovery.

In settling the lawsuit, neither Mr. Gabelli nor any of affiliated entities or individuals admitted any wrongdoing or liability.

Mr. GARCIA stated: "The public airwaves are a scarce and valuable resource. This settlement protects the integrity of the FCC auction program, and reminds all those who seek to benefit from the use of public resources that they must turn square corners when dealing with the Government. Mr. Taylor performed a true public service by blowing the whistle here."

Assistant United States Attorneys DAVID J. KENNEDY, SHEILA M. GOWAN, and WENDY H. WASZMER are in charge of the case.

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