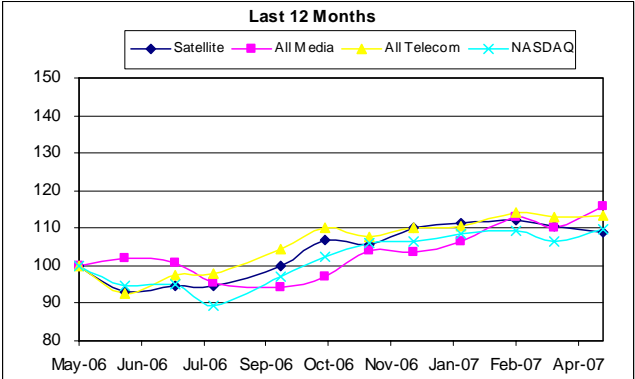


FROM THE GROUND UP

April 2007
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Near Earth Market Indices


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THE WAY WE SEE IT...

Satellite:

Following on the heels of other noteworthy change of control transactions in the sector (**Telesat's** pending acquisition by a **Loral**-led consortium, and, more recently, the auctioning of **SatMex**), **Intelsat** is said to be exploring a potential sale of the company. As a significantly larger transaction than the others mentioned – with an enterprise value well in excess of \$15 billion – and given the potential anti-trust issues that could arise from a strategic sale, the universe of potential bidders could mainly be financial, and only the largest private equity firms at that. Indeed, **Blackstone** seems to have initiated the transaction. (See our related “Deal Side” column by NSR.)

Wireless Broadband:

The **Federal Communications Commission** announced the adoption of rules yesterday for the auction of spectrum at the “700 MHz” band (698-806 MHz). Based on initially reported estimates of up to \$15 billion for aggregate bids, this would imply a spectrum valuation of \$0.46 per MHz-POP, compared to the AWS value of \$0.54 per MHz-POP. The auction plan, however, appears to be unfinished and final rules may be announced by June, for an auction start in the December/January timeframe. With wireless spectrum currently at the forefront of much strategic planning (see our related “Spot Beam” article), it will be interesting to see if initial valuation estimates prove out and which of the potential bidders emerge as frontrunners.

Telecom:

In another example of cheap financing options made possible by the tremendous liquidity and depth of current credit markets (see our related “Guest Corner” column from *Global Leveraged Capital LLC*), **American Tower Corp.** plans to securitize the revenue from some 5,300 towers in a transaction reportedly approaching \$1.75 billion. Proceeds will be used to repay previously issued debt, and the company has recently also kicked off a tender offer for an issue of its senior subordinated notes.

Hoyt Davidson
hoyt@nearearthllc.com
 (212) 786-7462

John Stone
john@nearearthllc.com
 (646) 290-7796

Dan Ramsden
dan@nearearthllc.com
 (646) 843-9799

Kuni Takahashi
kuni@nearearthllc.com
 (646) 843-9806

Matthew Yukelson
matt@nearearthllc.com
 (646) 290-7794

The Current Spot-Beam

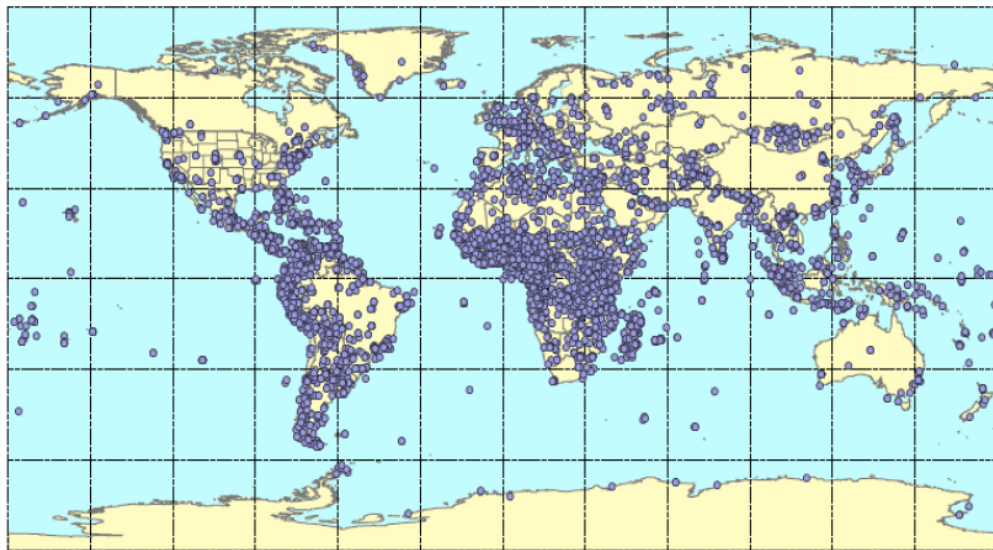
WiMax and Satellite – Can't we all just get along?

The fortunes of satellite builders and operators could be pitted against emerging broadband wireless manufacturers

Here at Near Earth, we focus on digital communications, which in its many forms includes satellite broadcasting/telecom as well as broadband wireless access (BWA), such as WiMax and similar technologies. While satellite is the older of these two technologies, both have provided and continue to provide substantial public benefit and financial returns to investors. But in a shrinking world where finite spectrum resources are relentlessly being taxed to carry more and more information, it was probably inevitable that two of our favorite technologies would find themselves in conflict.

And so, now we find an increasing brouhaha emerging over pending allocation of the 3.5 GHz band (as WiMax proponents like to call this potential source of spectrum for expansion) and the C-band (as satellite proponents like to call it). Depending on how this is resolved, the fortunes of satellite builders (e.g. Loral, Orbital Sciences) and operators (Intelsat, SES, etc.) could be pitted against emerging broadband wireless manufacturers (Motorola, Alvarion, etc.) and operators (e.g. Sprint, ClearWire, Wireless Australia, etc.).

The sources of this conflict lie in the technical approaches used by BWA and satellite users. BWA networks use a combination of base stations and individual fixed and mobile terminals that transmit radiation at strengths that can overwhelm or degrade the much weaker signals from satellites. This interference can come from both the strong in-band (i.e. within the licensed spectrum) emissions from a tower, or the weaker out-of-band (immediately adjacent to the licensed spectrum) emissions. In the case of the former type of interference, where the signals are stronger, satellite receivers as far as tens of miles from the transmitter can be affected. Even in cases where the emissions are unintended (and thus much weaker), interference can extend for over a mile. When roaming users of the 802.16e standards (mobile WiMax) are added to the mix, the potential for interference is substantial. The figure below shows C-band earth stations registered with Intelsat, a large satellite operator – a fraction of the overall total.



Source: Intelsat

The Current Spot-Beam (cont.)

This problem is not merely academic – there have been numerous examples of actual interference taking place due to BWA transmissions in Bolivia, Australia, Hong Kong and other locations.

As background to this discussion it should also be noted that, compared to the Ku-band, C-band satellite transmissions are much more resistant to rain fade, which is particularly acute in tropical regions common in the developing world. As such, simply migrating satellite users to Ku-band is problematic from a technical as well as a cost viewpoint. From the perspective of WiMax, routing traffic from the C-Band to other feasible bands (such as S-band) carries its own problems, which vary depending on the demands for S-band spectrum in each jurisdiction.

The sources of this conflict lie in the technical approaches used by broadband wireless and satellite users.

So, on the one hand, many countries, particularly developing ones, want to speed the rollout of broadband services. On the other hand, there is a substantial and expanding installed infrastructure for satellite operators and users that want to protect their investment. How then to resolve the dilemma?

In the end we expect a mixture of technology, lobbying, and “lawyering” to be brought to bear. In the case of technology, a number of approaches apply: bandpass filtering can protect from out of band transmissions, and the use of directed antennas and shielding can help reduce interference when the locations of transmitters are known. Both approaches are only partially effective, and can be quite costly – the only complete solution is to dedicate the band to one type of service or the other, which becomes a regulatory issue.

We expect the resolution of this issue will ultimately result in some unhappiness on all sides, and will vary by location.

In the case of lobbying, the WiMax Forum, Global VSAT Forum, Cable and Satellite Broadcasting Association of Asia, and others have all cranked up their efforts in advance of the upcoming International Telecommunications Union WRC-07 Conference, currently set for October and November of this year. These groups are also mounting efforts with the appropriate national regulatory bodies in affected countries. In this latter instance, the more “local” flavor of WiMax operators vs. the international flavor of the satellite operators could tilt the arguments in favor of WiMax, though it is too early to say this with confidence. On the other hand, the satellite operators have the power of incumbency, with tens of thousands of antennas in service. While this pales with the potential for millions of WiMax users, few or none of these users are yet in service.

We expect the resolution of this issue will ultimately result in some unhappiness on all sides, and will vary by location. At stake is the value of satellite operators installed assets, and their ability to generate the cash flows needed for debt service (see the Deal Side article in this issue) vs. the ability of WiMax to get enough new spectrum to provide the services (and associated revenues) users want, especially for emerging bandwidth hogs like mobile video and data service. It’s likely to get pretty messy out there.

By John Stone
Near Earth LLC

Here We Go Again?

Most people were looking towards an IPO for Intelsat

News that private equity player Blackstone Group approached Intelsat's owners regarding a possible sale set the industry abuzz and led to more than a few people scratching their heads wondering what this latest move means. This is a fair question to ask of such a deal given that most people were looking towards an IPO for Intelsat and the expectation that at least some of the proceeds would go towards reducing the company's US\$11 billion debt load.

What has most outsiders concerned is that the logic to a Blackstone Group purchase of Intelsat is unclear. The standard reply that private equity will come in and improve a weaker company's performance before selling the asset for a profit does not seem to fit. PanAmSat was arguably one of the tightest run fleet operators under Joe Wright's leadership prior to its sale to Intelsat, and most of the obvious efficiencies at Intelsat should be already obtained or the company is well on its way there. This leads many in the industry to speculate that Blackstone sees ways to pull even more cash out of Intelsat, most likely increasing the leverage on the company, before it in turn disposes of Intelsat in order to move on to greener pastures. Or, is there more to this development, and perhaps the deal will be done on behalf of another, perhaps non private equity party? For now, anything seems possible.

Blackstone sees ways to pull even more cash out of Intelsat, most likely increasing the leverage on the company.

The very capitalistic reply to these concerns is that this is a purely commercial deal. The private owners of Intelsat have every right to their profits, and it must be assumed Blackstone Group (or some other PE group) will not take on an asset like Intelsat unless they have some real, solid plans for the company. Those of us on the outside can twitter on all we want to about Intelsat's current owners reaping more than 10 times their initial investment, but as long as the new owners run Intelsat as a solid investment, there is no real reason this deal should not go through. Further, the industry as a whole is engaged in a period of sustained growth and, as implied by Intelsat's upper management, there does not seem to be any reason that the world's largest fleet operator should not take a nice large slice of this new demand.

There is also a new operational viewpoint which NSR has developed. This centers on Intelsat's focus on the offering of Managed Solutions - not quite managed services in the regular network service provider parlance, but something close. These are based operationally upon its GXS Network and GXS Media facilities. Here the newly expanded global reach of the full Intelsat plus PanAmSat satellite fleets gain substantial business traction from just a modest, but carefully crafted, terrestrial network architecture. For example, just the two Intelsat-owned teleports at Riverside, CA (US) and in Fuchsstadt (Germany) can uplink to satellites spanning all five continents; and so: (a) with some reinforcement then from either the Mountainside, MD or Ellenwood, GA, teleports in the U.S., and (b) the internetworking put in place on the ground between them all, which involves just four gateways into the terrestrial network, it is possible to transit from almost anywhere to anywhere on a global basis and in any format.

From the Deal Side (cont.)

Satellite fleet operators are in many ways infrastructure companies that sustain a whole spectrum of additional industries.

Should clients begin to lose confidence, they will go elsewhere as soon as it is permitted, and this could initiate a downward spiral.

As a consequence then, Intelsat's customers can elect to utilize services that transit the network-at-large in a satellite-only mode, or (most commonly) operate via satellite plus fiber, or even fiber only (as opposed to simply leasing blocks of satellite transmission capacity). This Intelsat can pursue without, in NSR's view, any major head-to-head competition with its major capacity leasing customers. And already the group of solutions and services which Intelsat brands as GlobalConnex™ represent more than 10% of its business base.

Yet, there remain a number of valid concerns. First, Intelsat's business case appears to be built on everything going well for the company, including substantial growth in new customers and in premium revenues, from the Managed Solutions portfolio. And indeed the company will need solid growth in order to keep supporting its current (and possibly larger in the future) debt load. But just because the industry sees growth, and NSR is certainly one of those forecasting rising demand, it is very difficult to predict who will take what share of this growth. A simple look back a few months to the NSS-8 launch failure clearly illustrates that future growth of individual fleet operators can very quickly and very radically change because of unpredictable events.

Further, the view of strong growth for the industry is on an averaged basis, and there are definitely some areas of concern in a few of the biggest markets. Take for instance the C-band FSS market in North America, which is one of the largest and most profitable of the entire industry. The current industry mindset is that growing demand for HD content in North America is set to make even more money for the satellite operators, Intelsat included. Yet, what one often fails to hear mentioned is that to date HD growth has largely been offset by declines in analog broadcasting in North America. The combined Intelsat-PanAmSat entity alone saw 44 analog channels and feeds mainly in the North American market disappear from its fleets between the end of 2004 and the end of 2006. This is nearly equivalent to an entire standard satellite payload. Granted, much of this capacity was converted by clients to other uses including HD, but over the same time period the Intelsat-PanAmSat fleets have only increased the number of HD channels carried from 20 to 24. To be fair, the number of std. def. channels for the entire Intelsat-PanAmSat fleet went from 2,787 to 3,301 between the end of 2004 and 2006.

If anything, the only outside party that has a valid concern to voice in the sales discussions surrounding Intelsat are its clients. These companies will be around long after Intelsat's current and next set of owners (assuming it is private equity) and whose businesses depend on the health and long-term strength of Intelsat. One might argue that many of these clients have long-term contracts with Intelsat so it is difficult for them to change fleets. Yet, as the example above regarding the migration of analog channels and feeds illustrates, it does not take many clients to decide that they are better off elsewhere when their contracts come to term for the future growth of Intelsat to be impacted. Never forget that it won't be beneath Intelsat's competitors to make the claim that long-term owners are better for a client than short-term cash focused private equity.

The satellite industry we live and work in is part of the greater capitalistic market. Making money is a great motivator and drives continued improvement in our and all other industries. Yet, satellite fleet operators are in many ways infrastructure companies that sustain a whole spectrum of additional industries. It is incumbent

From the Deal Side (cont.)

...clarity on a future owner's plans for Intelsat would be helpful at this point and may actually help increase the inherent value of the deal...

upon any infrastructure company to remain sound and stable so that the clients that depend upon it will continue to make use of it. Should clients begin to lose confidence, they will go elsewhere as soon as it is permitted, and this could initiate a downward spiral. More clarity on any future owner's plans for Intelsat, be it Blackstone or someone else, would certainly be helpful at this point and may actually help increase the inherent value of the deal simply by reassuring their clients that Intelsat is, and will remain, a great and financially robust company.

By Christopher Baugh
President, NSR

Mr. Baugh founded NSR in 2000 to provide market research on domestic and international high-speed networks to vendors and carriers worldwide. Northern Sky Research (NSR) is an international market research and consulting firm specializing in telecommunications technology and applications. NSR primary areas of expertise include satellite and wireless networks, emerging technology, and media applications.

The Current State of the Debt Markets for Middle Market Companies

The phrase “middle market” is widely used, but how do we define a “middle market” company? Standard & Poor’s, when compiling statistics on the loan markets, defines the middle market as companies with \$50 million or less of EBITDA. Revenue is not used as a parameter, as it is ultimately operating cash flow that defines the size of a company. Our firm, Global Leveraged Capital (GLC), a specialty lender to non-sponsor and sponsor-based middle market companies, defines the overall middle market in the same way as Standard & Poor’s. However, I would break the middle market into three sub-segments:

1. companies with \$20 million to \$50 million of EBITDA (“MM1”);
2. companies with \$10 million to \$20 million of EBITDA (“MM2”);
3. companies with \$5 million to \$10 million of EBITDA (what some may call the lower middle market, “MM3”); and
4. companies with EBITDA below \$5 million (“Micro-Market”).

I will explain the purpose for creating these sub-segments and the implications for each type as the respective companies seek to raise debt capital in today’s market.

Q1 2007 was record-setting for the leveraged loan market besting the short-lived record Q4 2006.

An update on the leveraged loan markets

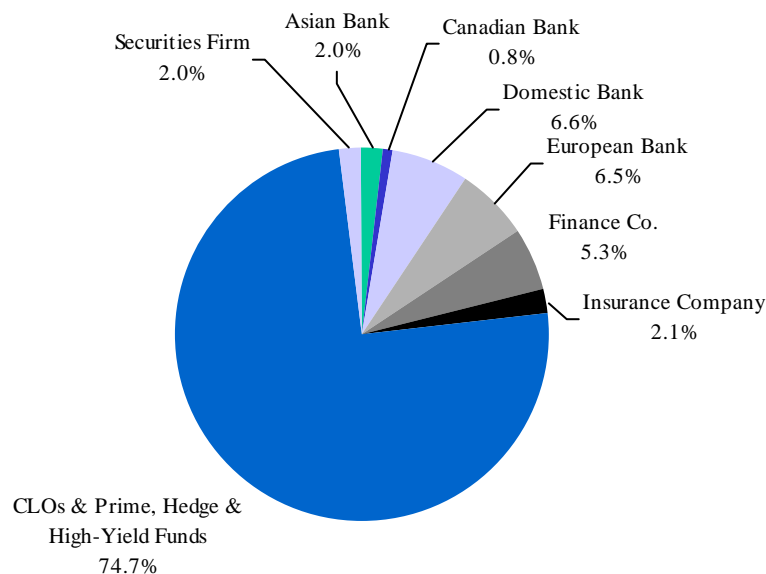
“Leveraged loans” is a term that generally refers to sub-investment grade loans, with the majority today comprising debt issuers rated in the single-B range (by S&P’s or Moody’s). In almost all cases, given their smaller size, middle market issuers will be considered to be part of the leveraged loan markets (regardless of the actual debt/EBITDA ratios of these companies). In the aggregate, however, much larger companies (including most of the recent mega-LBOs) comprise the majority of debt issued in the leveraged loan markets (>90%).

Q1 2007 was record-setting for the leveraged loan market, with new-issue volume climbing to \$183 billion, besting the short-lived record of \$148 billion in Q4 2006. Of the Q1 2007 volume, \$89 billion was driven by sponsor-backed LBOs and dividend recaps, and this high volume was underpinned by substantial investment activity by private equity groups (“PEGs”) in conjunction with institutional lenders such as Collateralized Loan Obligations (“CLOs”), hedge funds that have entered the lending space, and other specialty finance companies. In recent years there has been a significant emergence of new firms formed to provide debt capital to middle market companies, including our own firm, GLC.

This growth in activity by alternative providers of credit capital has occurred as many (if not most) of the traditional middle market lenders of the 1990s have been consolidated away, (remember Fleet Bank, Bank of Boston, Heller Financial, CoreStates Financial, etc.), and others have exited the market in pursuit of large market opportunities. In fact, in the mid-1990s, traditional bank lenders comprised approximately 66% of total loan volume to middle market companies, and as of Q1 2007 this figure is down to under 25%. The chart below shows the breakout of investors in the primary leveraged loan market for Q1 2007. When the current period of extreme liquidity will end is anybody’s guess,

Guest Corner (cont.)

but it seems that these patterns have tended to follow roughly 10-year cycles – notable by downturns in the 2000-2001 period and the late-1980s/early 1990s before that.



Pricing and terms of leveraged loans

For the private equity community, conditions in the credit markets today are “as good as it gets.”

For the PEG community, conditions in the credit markets today are “as good as it gets.” LIBOR margins for single-B credits are near all-time lows, at approximately 220 bps, and in addition to attractive pricing, loan structures have also become more aggressive than ever. PEGs are now able to take out increasingly large dividends from their portfolio companies, without changes in equity ownership, and are completing such deals in a shorter period of time than before. It is also interesting to note the increasing replacement of high yield bonds by senior secured debt – often second-lien loans – in the capital structure:

- back in 2002, nearly half of the debt issued to execute dividend recaps was subordinated debt;
- year-to-date 2007, that number is 8%, while 92% of the debt in recapitalization transactions consists of 1st and 2nd lien secured loans.

While most of these statistics, and the low pricing records, are skewed by the large, highly leveraged, PEG-backed LBOs, there is a significant “trickle-down” effect that has benefited middle market borrowers of all sizes, especially those that are backed by PEGs. Pricing has compressed for all middle market borrowers, as will be detailed below in the context of middle market sub-segments previously defined. (It should be noted that this discussion on pricing is focused solely on “cash flow” loans – as opposed to asset based loans that are specifically backed by accounts receivable and/or inventory or certain other assets such as equipment or real estate. These asset based loans operate under different lending parameters and are beyond the scope of this article).

Guest Corner (cont.)

Middle market pricing levels

There is a significant “trickle-down” effect that has benefited middle market borrowers of all sizes, especially those that are backed by private equity funds.

MM1

These companies have benefited the most from the strong credit market conditions. Companies of this size are heavily targeted by PEGs, and pricing levels have blurred between the MM1 segment and much larger ones. For MM1 companies backed by a well-known PEG, LIBOR margins are roughly as follows:

Type	LIBOR spread
<i>Sponsored deals:</i>	
1 st lien	2.50% - 3.25% (Avg ~ 2.80%)
2 nd lien	5.50% - 6.50% (Avg ~ 6.10%)
Unsecured sub debt	11.0% - 14.0% fixed cash+PIK
<i>Non-sponsored:</i>	
1 st lien	2.75% - 3.75%
2 nd lien	6.00% - 7.25%
Unsecured sub debt	13.0% - 17.0% fixed cash+PIK

Notes:

- 1st lien paper priced at a higher level than 3.25% often implies that the credit has some challenges or the industry sector is out of favor with a large pool of potential lenders. Smaller companies will also skew towards the higher end of the range.
- Unsecured subordinated loans (or mezzanine debt) will be structured with a combination of cash and PIK interest.
- Non-sponsored transactions will generally carry a pricing premium as the absence of a “deep-pocket” reflects a lesser credit quality and increases the “institutional sponsorship” role of the lender (in terms of due diligence and any future work-out scenarios). A larger, well-known non-sponsor company (or a company with a long track record of success) in MM1 may be able to secure pricing similar to sponsor deals.
- I have not included upfront, underwriting, arrangement or other fees paid by the borrower at closing. These fees can vary widely depending on the type of transaction (underwriting, best efforts, “club” transaction) and credit risk, and a discussion on these matters are beyond the scope of this article.

For non-sponsor deals, there will be a larger premium and higher variability as well.

MM2

We have also seen an increased interest by PEGs in this segment of the market, and middle market lenders have eagerly followed sponsors to these smaller targets. Pricing levels in many cases will overlap with those for MM1, but overall pricing on average will be higher. For non-sponsor deals, there will be a larger premium than in MM1 and higher variability as well.

Guest Corner (cont.)

Well known and large private equity funds are dipping down to invest in sub-\$10 million EBITDA companies.

Type	LIBOR spread
<i>Sponsored deals:</i>	
1 st lien	2.75% - 3.50%
2 nd lien	6.00% - 7.25%
Unsecured sub debt	12.0% - 15.0% fixed cash+PIK
<i>Non-sponsored:</i>	
1 st lien	3.25% - 4.00%
2 nd lien	6.50% - 8.00%
Unsecured sub debt	14.0% - 20%+, in a combination of cash interest, PIK interest and sometimes warrants

MM3

Companies in this segment will have a tougher time securing debt capital, (except for those being acquired by well known PEGs, and we are seeing more instances of well known and large PEGs dipping down to sub-\$10 million EBITDA companies). For sponsor-backed companies in this segment, there are a numerous specialized lenders that will provide credit finance for PEG relationship purposes. Pricing is generally higher, but still attractive for the borrower, as these PEGs can usually secure multiple bidders and rely on the “relationship” to drive down pricing.

Type	LIBOR spread
<i>Sponsored deals:</i>	
1 st lien	3.25%+
2 nd lien	6.50%+
Unsecured sub debt	12.0% - 16.0% total return
<i>Non-sponsored:</i>	
1 st lien	3.50%+
2 nd lien	n/a
Unsecured sub debt	16% - 20.0%+ total return

For companies with less than \$5 million of EBITDA, the number of lenders is significantly smaller.

Notes:

- Pricing in general for companies in MM3 can vary widely, for both sponsor and non-sponsor transactions.
- 2nd lien loans are unlikely to be part of the capital structure in non-sponsored deals at this size level, with mezzanine debt the more likely choice.

Micro-Market

For companies with less than \$5 million of EBITDA, there are no general parameters. Once again, PEG based deals will command the most interest and best terms, although the number of lenders serving this space is significantly smaller. Non-sponsor companies in this segment will need to find the right niche lender that will consider their situation, which can be a specialty financing company that focuses on companies of this size, a local bank, a specialized

Guest Corner (cont.)

industry lender, a hedge fund or a “venture lender” that targets emerging companies.

I urge the reader to use these pricing ranges as a general guide, as each situation is truly unique and demands a separate leverage and pricing analysis. Many examples can be provided of exceptions to the pricing parameters discussed above, for specific credits and transaction situations. It is the quality of the credit that ultimately drives a lender’s interest level in providing financing and pricing parameters. And “credit quality” of course, is completely subjective.

By Salo Aizenberg
Global Leveraged Capital Management, LLC

Salo Aizenberg is a Principal at Global Leveraged Capital (www.glcllc.com), a middle-market specialty lender with over \$600 million under management. GLC provides 1st lien, 2nd lien and mezzanine loans as a one-stop shop to sponsored and non-sponsored, middle market companies in all industries, with target EBITDA of at least \$4 million. Please contact Salo Aizenberg at sa@glcllc.com or 212-835-9950 for additional information.

Conference Roundup

23rd National Space Symposium- April 9-12, 2007, Colorado Springs, CO

The National Space Symposium is traditionally the premiere U.S. conference and networking opportunity for the space side of the aerospace industry and this year was no exception. The mood was one of optimism, but also of the seriousness of the mission and program challenges ahead. Attendance was at record levels. It will be a very sad day when the symposium outgrows the beautiful Broadmore Hotel, but it is pushing the limits now.

The panels and exhibitors were clearly focused on military, intelligence and civil space applications as opposed to pure commercial enterprises, but with significant overlaps apparent. It is important to remember that in the space industry the lion's share of R&D is funded by government entities pushing the envelope of technology to satisfy unique mission requirements. Many years later, sometimes decades, this technology filters down to the commercial space industry enabling new satellite services like GPS, remote sensing, handheld mobile communications, global asset tracking, steerable beams, phased array antennas, LEOs, MEOs and HEOs, etc..... This trickle down of technology has been the life blood of the commercial space industry. Few investors want to fund unproven technology on commercial satellites or be the first to fly on new launch vehicles. Hughes tried that with PanAmSat with very unpleasant results.

In the last decade, there seemed to have been a slowing of satellite communications innovations coming out of the military/intelligence community to the point where the commercial side appeared to catch up in many cases. These government customers are in fact now satisfying more and more of their communication needs with commercial suppliers of space segment capacity and associated terrestrial services. This year, however, I saw a hint that we may be entering into another phase of rapid government sponsored satellite technology innovation. With the exception of rocket technology, which has really only made incremental efficiency improvements over the last 50 years, there appears to be a new emphasis on creative solutions to satisfying the global demands of network centric warfare, comms on the move and rapid response. Our national security and war fighting capability is more and more dependent upon a robust and continuous flow of ubiquitous, broadband, secure, integrated, digital information (data, voice, imagery and video) to both fixed and mobile users anywhere, anytime. I'm betting commercial enterprises and consumers will want the same pretty soon and not just in the urban areas of developed countries. Money being spent to outfit Hummers in Iraq will one day benefit commercial fleets and then autos. Money spent to bring real time, information rich battlefield imagery and video to the war fighter will one day mean the same for enterprise and even consumer applications.

Much of this progress will have to be lead by the aerospace primes and other major satellite and telecomm industry participants who have traditionally done the heavy lifting, but there is a real role to be played by small entrepreneurial companies with nimble management and key technologies. There is also a real sea change in Washington to encourage outsourcing where feasible to the commercial sector and foster such new commercial sources and solutions. I hope this spirit survives any future changes at the White House or Capital Hill.

Conference Roundup (cont.)

On a personal note, my two favorite moments of the conference were (1) asking the event coordinator when the panel I was moderating would start only to be told it was purely a matter of when the General before us got tired of talking (Apparently, one does not ask a General to leave the stage and as far as I am concerned, they have more than earned that right.) and (2) Robert Bigelow, founder/owner/CEO of Bigelow Aerospace, explaining his business plan to an audience comprised of the builders and managers of the International Space Station, which is basically that he plans to under price them with in-orbit “budget suites” for the 60 or so countries that do not have access to or can not afford to go to the International Space Station. Alex Tai of Virgin Galactic and Elon Musk of SpaceX were also excellent examples of serious business men investing serious dollars in new commercial space activities and with flight hardware in development and testing. The once loud snickers grow fainter and fainter.....

Space Investment Summit- April 16-17, New York, NY

A first of its kind conference was held in New York in April, meant to bring together space entrepreneurs needing capital with serious financial investors looking for new places to earn market returns on their piles of cash. Attendance seemed to peak at approximately 200, with representation from (i) the hosts, Space Commerce Roundtable, Space Frontier Foundation and National Space Society, (ii) the sponsors, Alcatel Alenia Space, Boeing, EADS Astrium, Honeywell, Lockheed Martin, Lunar Transportation Systems, Analytical Graphics, MDA and Space Isle, (iii) assorted entrepreneurs, and (iv) only a few (unfortunately) investors. Key note speeches and opening and closing remarks were given by former astronaut and living legend Buzz Aldrin, Dr. Paul Eckert, International and Commercial Strategist for The Boeing Company, Tom Pickens, III, CEO of SpaceHab and Jim Muncy, well known former Congressional staffer and current space entrepreneur.

If there was a disappointing aspect to this first summit it was the low level attendance by the investment community. Perhaps that can be improved in future summits. Otherwise, it was a valuable networking opportunity and quick way to get up to speed on some of the newer and less traditional commercial initiatives currently being pursued in Space. If there was one clear theme supported by the group's enthusiasm, it was Mr. Pickens exclamation that “the time is now” for greater private development of Space.

There was also a general consensus that the government-led space development paradigm has not worked, is not working and needs to be fundamentally altered or abandoned if we are to make quicker and more economical progress in space. It is hard to disagree that we have fallen woefully behind earlier expectations. One presenter showed a scene from the 1968 film “2001 a Space Odyssey” as a stark reminder of just how little progress we have made toward that now dated vision. Blame was even laid at the feet of JFK for going to the Moon to soon on the back of the U.S. government rather than unleashing the private sector to develop Earth orbit first. Yes, but then again the

Conference Roundup (cont.)

primary issue of the Cold War Space Race was ICBMs not space commerce. Who knows what the upcoming Space Race with China and perhaps India will foster.

As for this attendee, although I share the vision and the enthusiasm, I think it will be extremely challenging to get the institutional investment community to fund many of these ambitious space projects without clear and powerful government support and concessions and a decision by our government to rely on and support the private sector versus competing against it. No other major development activity of our cultural heritage, be it the settlement of the New World or the Wild Wild West, has been done in any other way and it is unlikely Space can be developed without a new focus on private commerce and entrepreneurs. In the short term, my bets are on Earth Science applications (i.e. Global Warming) and best of breed hardware, software and service companies supporting the U.S.'s (or China's) return to the Moon. The enormity of the tasks will continue to require the skills and balance sheets of the Boeings and Lockheeds of the world, but there is also considerable room for smaller and more nimble participants like AirLaunch, Bigelow Aerospace, Broad Reach, ComDev, MicroSat, Pioneer Rocketplane/Kistler, SpaceHAB, SpaceX, Surrey, t/Space, Universal Space Network, Virgin Galactic and XCor just to name a few.

By Hoyt Davidson
Near Earth LLC

NEAR EARTH ANALYSIS: MARKET COMPARABLES

Public Market Valuation Analysis of Selected Companies in the NEAR EARTH TELECOM INDEX

		Stock Price:		Enterprise Value as a Multiple of:			Price as a Multiple of:		
		4/24/07	Market Value of Equity	Enterprise Value (a)	LTM Sales	LTM EBITDA	LTM EBIT	2007E EPS (b)	2008E EPS (b)
Satellite Capacity Leasing (FSS)									
LORL	Loral Space & Comm (new)	\$ 49.06	\$981.2	\$1,002.8	1.3x	15.7x	n/m	n/m	n/m
SESG.PA	SES Global S.A. (c)	\$ 19.53	\$13,421.9	\$17,638.6	8.5x	12.4x	21.9x	21.5x	19.2x
Mean					5.8x	13.3x	26.4x		
Satellite Equipment Manufacturers & Integrators									
GILT	Gilat Satellite Networks	\$ 8.93	\$358.5	\$285.4	1.2x	9.0x	25.3x	48.6x	20.3x
GCOM	Globecom	\$ 12.00	\$194.2	\$168.2	1.3x	23.5x	40.3x	37.2x	25.5x
VSAT	ViaSat	\$ 33.26	\$1,011.8	\$936.0	1.9x	15.8x	28.7x	36.8x	26.2x
ORB	Orbital Sciences	\$ 19.52	\$1,222.5	\$1,223.7	1.5x	14.8x	18.0x	27.0x	23.8x
RADN	Radyn Comstream Inc.	\$ 9.18	\$173.0	\$145.5	1.1x	7.2x	8.6x	14.6x	13.1x
CMTL	Comtech Telecommunications	\$ 39.86	\$1,105.9	\$965.6	2.5x	12.5x	15.5x	24.8x	18.0x
CDV	COM DEV International (d)	\$ 3.94	\$237.7	\$224.8	1.8x	10.2x	14.2x	n/m	n/m
Mean					1.6x	13.3x	21.5x	31.5x	21.2x
Towers									
AMT	American Tower	\$ 39.10	\$17,056.1	\$20,321.4	15.4x	24.8x	n/m	n/m	n/m
CCI	Crown Castle	\$ 34.69	\$7,189.3	\$9,090.5	11.5x	22.4x	n/m	n/m	n/m
SBAC	SBA Communications	\$ 29.18	\$3,026.9	\$4,491.5	13.7x	34.0x	n/m	n/m	n/m
Mean					13.6x	27.1x			
General Telecom									
AT	Alltel	\$ 61.11	\$23,553.4	\$25,353.2	3.2x	9.8x	18.7x	28.6x	21.2x
T	AT&T (new)	\$ 39.10	\$152,179.5	\$209,557.5	3.3x	9.4x	17.0x	20.7x	14.9x
VZ	Verizon Communications, Inc.	\$ 37.60	\$110,468.8	\$169,513.8	1.9x	6.1x	12.7x	20.2x	16.1x
S	Sprint Nextel Corporation	\$ 20.27	\$60,242.4	\$80,335.4	2.0x	6.7x	32.3x	60.7x	22.5x
Mean					2.6x	8.0x	20.2x	32.5x	18.7x
TELECOM SERVICES INDEX (excludes Towers stocks)									
High					8.5x	23.5x	40.3x	60.7x	26.2x
Mean					2.5x	12.4x	25.8x	31.0x	20.1x
Low					1.1x	6.1x	8.6x	14.6x	13.1x

Public Market Valuation Analysis of Selected Companies in the NEAR EARTH MEDIA INDEX

		Stock Price:		Enterprise Value as a Multiple of:			Price as a Multiple of:		
		4/24/07	Market Value of Equity	Enterprise Value (a)	LTM Sales	LTM EBITDA	LTM EBIT	2007E EPS (b)	2008E EPS (b)
Satellite Television (DBS)									
BSY	British Sky Broadcasting (f)	\$ 9.20	\$16,222.64	\$19,615.49	2.3x	8.2x	11.3x	14.6x	13.4x
DISH	EchoStar Communications	\$ 46.84	\$20,831.8	\$24,234.3	2.5x	9.8x	18.0x	24.4x	18.4x
DTV	DirecTV Group Inc.	\$ 23.94	\$27,417.1	\$28,363.2	1.9x	8.3x	11.8x	17.1x	14.5x
Mean					2.2x	8.8x	13.7x	18.7x	15.4x
Television									
TVL	LIN TV Corp.	\$ 16.27	\$796.3	\$1,753.8	4.0x	13.1x	28.9x	n/m	20.6x
SBGI	Sinclair Broadcast Group	\$ 17.13	\$1,467.9	\$2,814.8	3.9x	13.7x	17.7x	38.9x	25.6x
YBTVA	Young Broadcasting Inc.	\$ 4.24	\$92.3	\$829.7	3.9x	20.0x	n/m	n/m	n/m
Mean					3.9x	15.6x	23.3x	38.9x	23.1x
Satellite Radio (DARS)									
SIRI	Sirius Satellite Radio	\$ 2.77	\$3,885.3	\$4,544.6	7.1x	n/m	n/m	n/m	n/m
WRSP	Worldspace	\$ 3.60	\$135.3	\$139.7	9.3x	n/m	n/m	n/m	n/m
XMSR	XM Satellite Radio	\$ 10.93	\$2,957.5	\$4,040.0	4.3x	n/m	n/m	n/m	n/m
Mean					6.9x				
Radio									
CCU	Clear Channel	\$ 35.79	\$17,952.6	\$25,851.0	3.7x	11.1x	15.2x	24.5x	21.4x
CMLS	Cumulus Media Inc.	\$ 9.92	\$433.7	\$998.0	3.0x	12.0x	15.4x	n/m	36.7x
CXR	Cox Radio Inc.	\$ 15.02	\$1,434.2	\$1,840.2	4.2x	11.6x	12.4x	19.8x	18.5x
EMMS	Emmis Communications Corp.	\$ 10.27	\$381.9	\$1,060.6	2.8x	15.8x	20.3x	n/m	n/m
ETM	Entercom Communications	\$ 28.59	\$1,280.8	\$1,927.8	4.5x	12.0x	13.4x	20.7x	19.1x
ROIA	Radio One Inc.	\$ 7.44	\$734.4	\$1,692.8	4.6x	11.9x	13.8x	n/m	n/m
Mean					3.8x	12.4x	15.1x	21.7x	23.9x
NewsPrint									
DJ	Dow Jones	\$ 36.37	\$3,045.1	\$3,478.9	2.0x	15.2x	28.8x	24.1x	20.2x
MNI	The McClatchy Company	\$ 30.55	\$1,974.9	\$3,597.4	2.1x	8.0x	10.2x	14.0x	13.2x
NYT	New York Times	\$ 23.77	\$3,436.6	\$4,869.3	1.5x	10.5x	16.6x	21.4x	19.6x
TRB	Tribune	\$ 32.55	\$8,932.1	\$13,189.6	2.4x	10.1x	12.2x	17.0x	16.1x
WPO	Washington Post	\$ 743.00	\$7,137.3	\$7,406.3	1.9x	9.8x	13.9x	20.9x	18.8x
Mean					2.0x	10.7x	16.3x	19.5x	17.6x
MEDIA SERVICES INDEX (excludes Satellite Radio (DARS) stocks)									
High					4.6x	20.0x	28.9x	38.9x	36.7x
Mean					2.8x	11.8x	15.3x	17.2x	19.7x
Low					1.5x	8.0x	10.2x	14.0x	13.2x

(a) Calculated as Market Value of Equity plus total debt, minority interest and preferred stock, less cash & equivalents

(b) EPS estimates from Thompson First Call. Near Earth does not estimate EPS and does not condone or validate these estimates.

(c) Converted to US \$ from Euro at an exchange rate of 1.35783 US \$ per Euro

(d) Converted to US \$ from CS at an exchange rate of 0.89024 US \$ per CS

(f) Converted to US \$ from British Pound at an exchange rate of 2.00168 US \$ per British Pound

n/m Not Meaningful

Member of NEAR EARTH SATELLITE INDEX

NEAR EARTH ANALYSIS: M&A TRANSACTIONS

Selected Satellite, Telecom & Media Transactions

(US\$ in millions)

Date Announced	Acquiror	Target	Equity Value (a)	Transaction Value (b)	Transaction Value/	
					LTM Sales	LTM EBITDA
Satellite Operators						
04/21/04	KKR	PanAmSat Corporation	\$3,532.0	\$4,300.0	5.2x	7.7x
06/06/04	Blackstone Group	New Skies Satellites NV	956.0	956.0	4.5x	7.7x
08/17/04	Zeus Holdings	Intelsat Ltd.	3,100.0	5,000.0	5.2x	7.6x
08/29/05	Intelsat Ltd.	PanAmSat Holding Corporation	3,065.0	6,271.1	7.5x	9.7x
12/14/05	SES Global	New Skies Satellites NV	760.0	1,160.0	5.0x	8.0x
12/05/06	Abertis Telecom	EutelSat (32% share)	1,000.0	1,838.0	7.3x	9.7x
12/18/06	Telesat (new)	Telesat (old)	2,800.0	2,940.0	7.1x	12.0x
12/18/06	Telesat (new)	Loral Skynet	691.0	1,050.0	7.1x	19.6x
				Mean	6.1x	10.3x
Ground Equipment						
12/06/04	SkyTerra / Apollo	HNS (Hughes' VSAT, Broadband)	\$110.0	\$415.0	0.8x	n/d
03/03/05	Radyne Comstream	Xicom Technology	41.0	46.0	1.1x	n/d
08/15/05	Stratos	Xantic	191.0	191.0	1.1x	n/d
11/11/05	SkyTerra / Apollo	HNS (Hughes' VSAT, Broadband)	155.0	460.0	0.8x	n/d
11/21/05	Viasat	Efficient Channel Coding Inc.	25.5	25.5	n/d	n/d
08/03/06	Thrane & Thrane	Nera's Mobile Satellite Communications	89.6	89.6	1.1x	n/d
				Mean	1.0x	n/d
Video Distribution Equipment						
09/29/05	International Datacasting	Proflin (c)	4.5	3.9	1.1x	n/d
11/18/05	Cisco	Scientific Atlanta	6,900.0	5,300.0	2.7x	13.2x
02/08/06	Tandberg Television	Skystream	80.0	80.0	2.6x	n/d
07/25/06	Motorola	Broadbus Technologies	181.0	181.0	n/d	n/d
08/21/06	Cisco	Arroyo Video Solutions, Inc	92.0	92.0	n/d	n/d
08/22/06	Harmonic	Entone Tech.	45.0	45.0	n/d	n/d
12/21/06	Motorola	Tut Systems	39.0	39.0	1.0x	n/d
				Mean	1.9x	13.2x
Towers						
07/04/04	Global Signal	Lattice Communications	\$115.0	\$115.0	9.4x	n/d
05/04/05	American Tower	Spectrasite	3,100.0	3,800.0	10.2x	17.0x
03/17/06	Crown Castle	Trintel Communications	145.0	145.0	10.1x	n/d
03/17/06	SBA Communications Corp	AAT Communications Corp	1,002.0	1,002.0	12.0x	17.9x
05/08/06	Crown Castle	Mountain Union Telecom LLC		309.0	11.9x	n/d
10/06/06	Crown Castle	Global Signal	4,000.0	5,800.0	12.1x	26.6x
				Mean	10.9x	20.5x
General Telecom (Wireless)						
02/17/04	Cingular	AT&T Wireless	\$40,770.0	\$47,105.0	2.8x	10.7x
12/15/04	Sprint Corp	Nextel Communications Inc	28,449.0	36,200.0	2.7x	7.1x
01/05/05	Alltel	Western Wireless	4,300.0	6,181.0	3.2x	10.7x
07/01/05	Sprint Nextel Corporation	US Unwired, Inc.	1,000.0	1,266.0	2.9x	13.2x
03/06/06	AT&T (new)	Bell South	67,000.0	89,000.0	4.3x	10.7x
				Mean	3.2x	10.5x
Television						
03/31/05	Lin TV Corp.	WNDY-TV, WWHO-TV	\$85.0	\$85.0	4.3x	12.9x
05/10/05	Various Acquirors (d)	Emmis Comm TV Portfolio	1,350.0	1,350.0	5.2x	14.6x
06/30/05	Univision Communications	WLII (2 TV Stations in Puerto Rico)	190.0	190.0	4.0x	16.7x
				Mean	4.5x	14.7x
Radio						
09/29/04	Capital Radio	GWR Group	\$611.0	\$728.0	3.1x	13.4x
06/21/05	Emap PLC	Scottish Radio Holdings	713.0	793.0	4.5x	17.7x
11/01/05	Cumulus Media Inc.	Susquehanna Radio	1,200.0	1,200.0	n/d	15.0x
02/07/06	Citadel Broadcasting	Disney (ABC Radio)	1,500.0	2,700.0	4.7x	13.5x
				Mean	4.1x	14.9x
New Media						
11/14/04	Dow Jones	Market Watch Inc.	\$519.0	\$463.0	5.7x	38.6x
02/17/05	New York Times	About, Inc	410.0	410.0	10.0x	30.0x
03/21/05	IAC	AskJeeves	1,850.0	1,850.0	5.8x	19.0x
06/06/05	E.W. Scripps Co.	Shopzilla Inc.	525.0	525.0	4.0x	15.9x
07/18/05	News Corp.	Intermix (MySpace.com)	580.0	571.0	6.4x	n/m
3/6/2006	NBC Universal	iVillage Inc.	600.0	550.0	6.0x	32.4x
9/12/2006	RealNetworks	WiderThan	350.0	240.0	2.0x	9.5x
				Mean	5.7x	24.2x

(a) When Equity Value was not disclosed, Transaction Value was used

(b) Calculated as Value of Equity plus interest bearing liabilities and preferred stock, less cash & equivalents

(c) Values reflect closing figures. Converted at 1.1757 C\$ per US\$

(d) Transaction includes the divestiture of Emmis' TV portfolio to: Lin TV (\$260M), Journal Comm (\$235M), Gray (\$186M), Blackstone (\$259M)

It also includes estimated transaction value of \$410M for the final sale of 3 TV stations. This is predicted to occur sometime in 2005.

n/d Not Disclosed

n/m Not Meaningful

NEAR EARTH ANNOUNCEMENTS

Near Earth LLC professionals will be at the following conferences. If you would like to schedule a meeting during one of these events, please email John Stone at John@nearearthllc.com

May 15-16

Streaming Media East, New York, NY

Near Earth LLC runs an investment club called The Near Earth Investment Club and serves as the Club administrator/organizer as well as the primary sourcer and screener of investment opportunities. The Club periodically offers participations in primarily media, telecom and satellite industry-related, often uniquely structured, investments to its members. It is designed to provide active accredited investors with significant deal flow and issuers with access to "smart" and relatively "fast" capital.

- Diverse pool of Satellite, Media and Telecom-related investment opportunities from seed capital rounds to late stage capital and from restructurings and distressed opportunities to private investments in public companies. Club investment opportunities come from a variety of sources including transactions Near Earth LLC is engaged to complete and opportunities Near Earth or Club members find through their extensive industry contacts.
- Investments are screened by Near Earth LLC professionals and sometimes by Advisory Board or Club members with highly relevant backgrounds, before being presented to the full Club for investment consideration.
- Low minimum investment amounts (typically \$25,000 - \$50,000).
- Each member makes his or her own independent investment decisions on each investment opportunity and holds and votes their own shares.
- Near Earth charges no fund management fees and does not take any percentage of the investment upside. However, Near Earth may charge a 2% sourcing fee in certain cases where it receives no other compensation from the transaction. In no cases, will investors be charged a fee without notification in advance of making an investment decision.

If you would like to be considered for membership in this fund, please contact Dan Ramsden at dan@nearearthllc.com.

MediaVast has been acquired by Getty Images


The Near Earth Investment Club sent out an opportunity to invest in MediaVast on 3/29/06. Investors in that round were given a 2X liquidation preference and therefore doubled their money in approximately one year as the deal officially closed on 4/25/07.


ABOUT NEAR EARTH LLC

Near Earth is a specialized Investment Bank which brings the highest quality senior level attention to companies in the greater commercial satellite/space, telecom, media, entertainment, and technology industries.


Near Earth provides a full range of capital raising, advisory and consulting services to companies and their Boards. We also provide financial advisory services, valuation, structuring, and due diligence support to private equity, hedge and distressed debt funds. Please contact us if you would like our assistance with a contemplated satellite, telecom or media investment or portfolio divestment.

Featured Transaction



 **GE Commercial Finance**

Valuation of Five Satellite Related Assets of SES Global



Near Earth LLC provided in-depth asset valuation and industry analysis

For more information about our current transactions or about Near Earth LLC, please visit our website at www.nearearthllc.com or contact us at our location below:

Headquarters
90 Park Avenue, 16th Floor
New York, NY 10016
Telephone (212) 786-7462
Fax (646) 843-9770

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