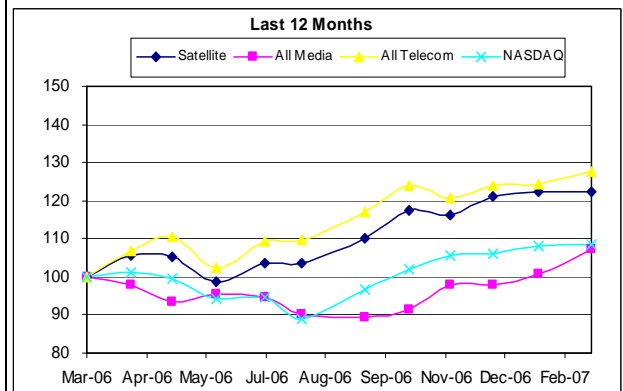


# FROM THE GROUND UP

February 2007

**Inside this Issue:**

- Page 1: **The Way We See It...**  
Satellite, Telecom and Media News
- Page 2: **The Current Spot-Beam**  
XM and Sirius and our cracked crystal ball...
- Page 4: **From the Deal Side**  
With one eye on XM/Sirius, the other on Clear Channel
- Page 6: **Guest Corner**  
An XM-Sirius Merger? Any Chance?
- Page 8: **Conference Roundup**  
Satellite 2007
- Page 13: **Near Earth Analysis: Market Comparables**
- Page 14: **Near Earth Analysis: M&A Transactions**

**Near Earth Market Indices**


See page 12 for details on index constituents.

## THE WAY WE SEE IT...

**Telecom:**

Ericsson and Arris are in a bidding war for Tandberg Television (Oslo: "TAA"), a manufacturer of encoders and broadcast equipment. We see this as further evidence of the convergence of broadband and video equipment, as well as additional support for MPEG-4 roll-out by major industry players.

**Media:**

A deal between Google's YouTube unit and CBS, to allow YouTube broadcast rights for CBS content, has unraveled. As most TV producers and Google have not been able to agree on the value of such broadcast rights, this portends additional problems for YouTube in its relations with copyright owners.

**Satellite:**

XM and Sirius announce an agreement to merge. (See related articles in "The Current Spot-Beam" and "Guest Corner" columns inside this newsletter.)

As evidence of continuing consolidation of satellite service providers, Arrowhead Global Solutions recently announced its agreement to be acquired by CapRock Communications. We expect a similar consolidation among the satellite equipment providers as well.

GE sold its 19% stake in SES back to SES in return for cash and a variety of satellite assets including SES's stakes in AsiaSat, StarOne, Satlynx, Orbcomm, and the satellite AMC-23. This shows SES's desire to focus on its core business lines, and makes GE a major re-entrant into the satellite industry.

Hoyt Davidson  
[hoyt@nearearthllc.com](mailto:hoyt@nearearthllc.com)  
 (212) 786-7462

J. Armand Musey, CFA  
[armand@nearearthllc.com](mailto:armand@nearearthllc.com)  
 (646) 452-9931

John Stone  
[john@nearearthllc.com](mailto:john@nearearthllc.com)  
 (646) 290-7796

Dan Ramsden  
[dan@nearearthllc.com](mailto:dan@nearearthllc.com)  
 (646) 843-9799

Kuni Takahashi  
[kuni@nearearthllc.com](mailto:kuni@nearearthllc.com)  
 (646) 843-9806

Matthew Yukelson  
[matt@nearearthllc.com](mailto:matt@nearearthllc.com)  
 (646) 290-7794

## XM and Sirius and our cracked crystal ball

For a while now, XM Satellite Radio and Sirius Satellite Radio have been perfect case studies for the rapid evolution and convergence in media and telecommunications. Part satellite operators, part radio broadcasters, part content producers, part technology companies, these two are the prototypical illustration of the cross-disciplinary art which the industry has become. So, when XM and Sirius announce plans to combine, it is by definition one of the more interesting events in media and telecommunications, giving rise to competitive, regulatory, technical, and marketing issues that sector observers will undoubtedly want to monitor closely. We list some of the key implications of the proposed transaction, noting that nobody, not even the two companies' executives and advisors, is likely to have a strong sense of the outcome at this time.

It may be a sobering thought for many in the evolving media and telecom sector that these companies could be too small to succeed on a stand-alone basis.

- Symbolic. Despite significant hurdles to a successful combination (that will be elaborated upon below), the two sides had reportedly chosen to accelerate their merger effort in the past couple of months. Two reasons that may explain this increased vigor are (a) fear that a change in the currently Republican administration after 2008 would further jeopardize the already treacherous FCC and Justice Department approval process, and (b) a competitive environment that adds to each of the two companies' struggles as it seeks to become sufficiently profitable to justify the amounts of capital raised to date. The suggestion has indeed been made that a merger of the two may be the most viable alternative for them to survive. Given the existing market presence – in terms of subscribers, distribution relationships, high-profile proprietary content – of both XM and Sirius, it may be a sobering thought for many in the evolving media and telecom sector that these companies could be too small to succeed on a stand-alone basis in the longer term. That the federal regulators may not agree with such market realities could be even more disconcerting.

Regardless of perspective, the issue of rural coverage could prove to be an insurmountable [regulatory] obstacle.

- Regulatory. The crux of the anticipated regulatory debate seems, as is often the case, to be based on definition. If the emphasis is on “satellite” rather than “radio” (or even “audio”) so that satellite radio is a unique service and the satellite radio sector is one that competes within itself, then the proposed merger would result in a monopoly. If on the other hand XM and Sirius are merely another “radio” (or “audio”) service among a growing number, which now includes not only terrestrial radio turning digital but cellular phones enabled for music and Internet radio that will increasingly benefit from the growth of wireless broadband networks, then you can sort of see why XM and Sirius have become anxious to combine. Regardless of perspective, however, the issue of rural coverage could prove to be an insurmountable obstacle. Due to the absence of wireless broadband networks and the relatively few terrestrial radio alternatives in remote areas, any argument with respect to competitive alternatives in such locations will be weak. How the regulators will see it is yet uncertain, but the decision will be precedent setting (note, for example, DirecTv and

## The Current Spot-Beam (cont.)

---

EchoStar), and that it will not be taken lightly explains the more than 12-month “drop-dead” date (without a breakup fee) the two sides have reportedly set.

In addition to any precedent setting impact, regulators will undoubtedly also be mindful of the industry-wide landscape that could be shaken up.

- Marketing. The two services are incompatible, although engineers from both sides have been working on the development of a receiver that could pull in both signals. If this can be accomplished, and assuming that the consumer offering is price competitive, then the combined channel lineup will be truly formidable in terms of both magnitude and content. Alternatively, the two services could be tiered and separated, in a manner comparable to cable television offerings – with one tier, for example, providing the premium Howard Stern and Oprah type content, while the other focuses on, say, popular music genres. Conversely, there is already talk about the elimination of redundant programming on the two sides, and one may for that matter also see a significant redundancy in the separate but substantial Internet radio presence of each. In all of the above, and depending on how the strategy would play out, the competitive impact and ripple effects on digital music could be huge – influencing the entire competitive landscape from Internet radio all the way to the wireless carriers now beginning to offer musical content to their cellular service subscribers (as a potential satellite radio alternative). In addition to any precedent setting impact, therefore, regulators will undoubtedly also be mindful of the industry-wide landscape that could be shaken up – an entirely different sort of impact from allowing, say, AT&T to essentially recreate itself long after the telecom sector has more or less gone wireless anyway.

Reflecting the uncertainty described, the two sides purposefully abstained from announcing a post-merger brand, not wanting to risk the embarrassment of a new name that will never exist, or one that will be a taint on the old. So, in this too, the XM and Sirius case study is emblematic of the media and telecommunications sector more broadly: their crystal balls are just as vague and foggy as the rest of ours. Notwithstanding, the markets traded both stocks up by 5-10% the day after XM and Sirius announced their merger plans. Apparently some crystal balls got polished in a hurry. Stay tuned.

By Dan Ramsden  
Near Earth LLC

## With one eye on XM/Sirius, the other on Clear Channel

As the satellite radio operators seek to clarify their fate in an uncertain regulatory environment, the fate of their biggest counterpart in traditional radio seems no more certain at this time. Although for reasons related to its own operating and financial profile rather than regulatory factors beyond the company's immediate sphere of influence, it may be as challenging to predict the outcome of the radio operator's pending going-private transaction as that of the proposed XM/Sirius combination. Two aspects of the continuing Clear Channel saga, as the company seeks to obtain shareholder approval for its leveraged buyout, are of current note:

Considering that the company is starting off with only 84% of votes available [to ratify the proposed transaction], a mere incremental 18% either voted against or, what amounts to the same thing, tossed in the dustbin, would cause the deal to be rejected.

1. While some of the company's larger stockholders, accounting for 16% of the vote – including the company's largest, Fidelity Management – are opposed to the transaction on grounds of an insufficiently high valuation, and as Clear Channel's bylaws require a 66% vote (rather than the more typical majority standard) in order to win approval, failure to cast a vote counts as a vote against. We can imagine, in the realm of a large-cap and widely held stock such as Clear Channel's, the number of proxy solicitations that are (as is often the case) ignored by retail shareholders. Considering that the company is starting off with only 84% of votes available for its desired goal, (deducting the 16% believed to be negative), a mere incremental 18% either voted against or, what amounts to the same thing, tossed in the dustbin with assorted junk mail, would cause the proposed deal to be rejected.
2. Adding to the argument that the proposed valuation is insufficiently high, Clear Channel's recently reported fourth-quarter results included spectacular performance by its 90%-owned outdoor business, which posted growth of 13% and 61% in revenue and net income respectively. Although arguably a non-core asset of the company's, the success of this business underscores the notion that the future upside for Clear Channel may be outside of traditional radio, and may be significant.

[A higher offer could perhaps be justified] with a greater emphasis on "alternative" and "new" media initiatives.

The performance of Clear Channel stock as word of these events has spread – recently trading close to a post deal-announcement high, and just 3% below the target buy-out price (despite the high risk of a failed shareholder vote) – implies that a higher offer may be anticipated. It will be interesting for the entire media sector to see, in the coming weeks, if a higher price is indeed offered, by whom, and how it is justified. Here is why:

While the existing deal was predicated primarily on non-core asset sales and cost cutting, additional value could perhaps be unlocked – once the conventional LBO efficiencies are fully exploited – with a greater focus on "alternative" (e.g., outdoor) and "new" media initiatives (e.g., Internet radio, wireless carrier alliances, and even HD). That the current bidding group does not seem to have built such growth possibilities into its offer price, seeming instead to focus more conservatively on cost cutting and asset sales as noted, suggests a lesser confidence in the non-traditional initiatives. Should an enhanced offer for Clear

## ***From the Deal Side (cont.)***

---

[In that case],  
the signal will  
have arrived  
that capital  
providers are  
past the leap of  
faith that “new  
media” may  
require.

Channel rely more explicitly on non-core growth opportunities, rather than treating these as “added bonus” (as appears to currently be the case), the signal will have arrived that capital providers are meaningfully past the leap of faith that “new media” may require. Alternatively, if the current offer with its basis in traditional media and traditional LBO cost-optimization is the best there is, despite the great potential born out of Clear Channel’s almost unparalleled platform, the verdict on “new” and “alternative” media may remain one of caution.

For these and many other reasons, entrepreneurs and investors alike should continue to monitor the unfolding of Clear Channel’s deal status, even as the XM and Sirius merger may continue to gather steam. The two situations, indeed, are not unrelated as both are likely to play a key role in the way we define the industry for many years to come.

By Dan Ramsden  
Near Earth LLC

### An XM-Sirius Merger: Any Chance?

Having been involved, compiling data and developing arguments in the government's review of EchoStar's attempt to purchase DirecTV in 2002-2003, The Carmel Group sees many similarities – and some notable differences – comparing a possible merger to monopoly between the satellite radio duopolists, Sirius and XM.

There are many similarities and some notable differences compared to EchoStar's attempt to purchase DirecTV.

One of the critical filings in the 2002-03 EchoStar-DirecTV proposed merger involved a so-called “ping-pong” chart. This graphic indicated one of the party's competitive responses to the other's, when it came to things like retail promotions, customer incentives, and many other marketing efforts to attain and retain subscribers. Not unlike the EchoStar-DirecTV intra-industry competition (which that ping-pong chart proved was quite significant), the same type of hyper-competition exists between the U.S. satellite radio rival XM and SIRI. In fact, until recently, to hear the aggressiveness as the two talked about the other's competitive efforts, was often comical.

Next, merge that reality with the Federal Communications Commission's (FCC) core DNA, which is a single mission statement supporting three key motivations: Competition, Diversity and Localism, “in the public interest.” As it sees in the DirecTV-DISH rivalry, the fact that SIRI and XM compete so vigorously is to pour fuel upon the FCC's “Competition Is Good” mantra. In fact, section 170 of the FCC's Digital Audio Radio Service (DARS) rules states “Even after DARS licenses are granted, one licensee will not be permitted to acquire control of the other remaining satellite DARS licensee. This prohibition on transfer of control will help assure continuing competition in the provision of satellite DARS service.” (emphasis supplied)

The FCC, if nothing else, gives market dynamics involving competition the benefit of the doubt.

This is not to say that the FCC would not change this rule 170. But what it does say is that the FCC, if nothing else, gives market dynamics involving competition the benefit of the doubt, which is probably appropriate in a free market economy. And the Department of Justice's anti-trust division is even more adamant when it comes to the reasoning behind antitrust, i.e., to keep prices down and to stimulate consumer choice.

To take that competition away will probably require a full set of remarkable new dynamics. Those dynamics would include not only both companies' financial dynamics hitting a long-term dead end (not likely), but also a significantly different lobbying and political agenda in Washington, DC. In the latter column, even if the 2008 presidential elections bring in a new administration, most doubt whether that would make much difference. That is because the real lobbying force in Washington, DC, the National Association of Broadcasters, is as equally positioned, or more, to support Democrats as it is Republicans. And the NAB does not like satellite radio.

Additionally, on the legal side, the Department of Justice's Antitrust Division would still be expected to see the competitive arena as a rather limited one, where XM and SIRI – and only XM and SIRI – compete as a product/service. This would mean the DOJ would still not recognize MP3 devices, HD terrestrial radios, music to cell phones and Internet radios as competition to satellite radio,

## Guest Corner (cont)

---

They would also have to give much more significant and perhaps lasting consideration to two huge potential future nightmares based on the same precedent.

at least not until each has a defined service and significant competitive base. By this analyst's reckoning, that change is still years away.

And finally, another political note puts an additional crimp on any plans Mel Kramizan or Gary Parsons may have to possibly bring their units together, despite the obvious advantages that come from the economies of scale and power of one competitive force. Politics and the law are huge creatures of precedent. If, anytime in the near future, the powers that be in Washington, DC were to OK a proposed SIRI-XM merger, they would also have to give much more significant and perhaps lasting consideration to two huge potential future nightmares based on the same precedent: changing the rules on media ownership, and readdressing the proposed merger of DirecTV and EchoStar.

Which means we're just about right back where we started.

By Jimmy Schaeffler  
The Carmel Group

Jimmy Schaeffler is chief service officer and senior analyst at The Carmel Group, a publisher and consultancy based in Carmel-by-the-Sea, CA. The company covers telco, satellite, cable, wireless and related services, as well as computers and the media. Schaeffler can be reached at [jimmy@carmelgroup.com](mailto:jimmy@carmelgroup.com); or, (831) 643 2222.

## Satellite 2007- February 19-22, Washington DC

### FSS

#### Industry

##### *General Trends*

Interference between Wi-Fi and C-band is becoming serious.

Dean Olmstead stated his concerns that investor interest in the industry is overheated and even compared the situation to 5 year-olds playing soccer when they all chase the ball and show no restraint. He later reiterated that satellites are good at point to multipoint applications. But also that they can also be used to fill in "white spaces" in conjunction with hybrid terrestrial networks such as with Globalstar and Terrestar's plans.

In the Q&A session, Mr. Olmstead said AsiaSat's going private may help with consolidating the region, but this will take some creativity to deal with nationalistic issues. He went on to speculate about foreign currency reserves, basically saying that if China dumps its US T-bills, interest rates could rise hurting the industry.

In another lunch, keynote speaker Ed Horowitz, CEO of SES Americom, spoke of the tremendous changes we have seen in the 50 years of satellite technology and his belief that in the next 25 years the world may see overall technology changes comparable to that of the last 350 years. To remain relevant, the satellite industry needs to be part of that technological progress not stuck in an overly conservative mode of investment and operation.

Other issues were heard echoed by several CEOs is the interference between Wi-Fi and C-band becoming serious. We also heard from various sources that ITAR is a big issue even for a Canadian company to buy a US satellite firm. In addition, there seems to be a trend that the FSS industry is in the process of correcting its history of undisciplined capital expenditures and that rationality will come when satellites need to be replaced even if there are low interest rates.

Insurance trends may affect future capital raising.

##### *Insurance Trends*

There are some new trends in this part of the industry that may affect future capital raising. One is the emergence of one stop shops combining insurance brokerage and underwriting in one company. This appears to be popular and could lead to new financing opportunities (e.g. Sciemus). Second is the need for "womb to tomb", whole life insurance coverage which does not exist. Today it is hard to get past launch plus one year, five years at most which rarely covers debt maturities. Lastly, there is a recent trend of hedge funds buying independent coverage for their portfolio holdings.

## Conference Roundup (cont)

---

### *Deal Points*

1. The high yield market in the industry is turning into institutional loans as several deals have been done this way.
2. 2006 moved from PE deals to intra-company deals.
3. Small companies can now get financed in this market - GeoEye and Protostar
4. FSS companies at about 10x EBITDA - 12 year peak is about 12x. Low was 5x. Previous highs were driven by strong growth prospects. Now they are driven by capital structure improvement made possible by low interest rates. The question is can it go higher and if it is sustainable. We heard multiple views on this. Also some of pricing is driven by capital expenditure synergies from consolidation.
5. Differing views if XM and Sirius can merge due to anti-trust.
6. Some thought that the AsiaSat going private deal will spur long-awaited consolidation in Asia.
7. Iridium and Globalstar will probably swap out satellites over time instead of a complete fleet replacement. My not give them the most advanced system, but will be easier to finance.

### Companies

#### *Intelsat*

Management claims to be on schedule with their integration effort, cost savings and debt refinancing. Their sponsors are mainly focused on cash flow and are not concerned with leverage. As a result, acquisitions are certainly possible although it sounded like an IPO would be purely opportunistic. Satellite lease backs are not currently being considered since their focus is on execution and not the balance sheet. This sounded like either a brave face on a still precarious situation or that they may have finally achieved some post merger stability.

#### *SES Americom*

IP Prime is a very important initiative to compete with cable's triple play with 7 telcos, over 300 channels. Management believes that the GE deal got rid of overhang by "cleaning things up" and although they plan to stay active in Mexico, they are not worried where Satmex ends up. However, they believe that synergies are real and consolidation is still of interest although prices have gone up. It is also important to note that management plans stay under 3.5x leverage. They also remain active with Ciel in obtaining additional Canadian spectrum.

# Conference Roundup (cont)

---

## *Telesat*

Dan Goldberg insists the new Telesat will procure satellites in a competitive process and not just use SS/L.

## **MSS**

### Industry

According to MSV, when all is said and done, more than 7 million first responders in the US will eventually have a satellite phone that utilizes ATC. Will this demand be satisfied by one supplier or split among many? In addition, MSV believes ATC spectrum will eventually be needed as telecoms in the future will need at least 100 MHz of spectrum. Leo Mondale of Inmarsat brought up an interesting question as to whether the MSS/ATC panel was really talking about two different industries: (1) the traditional enterprise and government MSS business served by Inmarsat and representing a large share of current Globalstar and Iridium subscribers and (2) an as yet proven consumer mass market cellular extension business driven more by the value of ATC spectrum than the ability of satellites to provide an acceptable voice service in the "gaps". Other comments and presentations suggest this emphasis on voice may even be misplaced as the triple digit growth in machine-to-machine satellite data services may eventually prove to be the true core capability of MSS.

### Companies

#### *Mobile Satellite Ventures (MSV)*

MSV is funded now until mid 2008 with \$500 million cash on hand and it also has two satellites in construction for \$1.1 billion. However, they will need \$3 billion, preferably from a strategic partner, in order to build 15,000 towers to utilize ATC. Looking for strategic partner but could go back to capital market and are working on building vertical markets now. MSV would also need \$3 billion for 15,000 towers for ATC, but will only do so with a strategic partner. They have already started to have conversations but price and terms have not been attractive enough. Management agrees that MSV is trading because of ATC values but thinks that their MSS business will eventually justify current valuations. On an interesting side note, the only employees of MSV that are not also employees of SkyTerra are the general counsels.

#### *Inmarsat*

They are currently upgrading ground service to provide better land voice in 2008 at a cost of only \$60 million which will help reach their estimate of 10 percent market share of the land mobile voice market. They are also expanding their BGAN business for aircrafts so passengers can roam with smart phones on airplanes. By 2009, management expects as many as 100 planes to be compatible with this service with RyanAir set to fit 50 planes this year alone. Despite negative publicity, they claim BGAN is actually the fastest growing Inmarsat service. On the other hand, the Galileo project is moving very slowly but still going forward and Inmarsat will own 1/8<sup>th</sup> of it and operate the fleet

More than 7 million first responders in US will eventually have a satellite phone that utilizes ATC.

## Conference Roundup (cont)

---

although there should be no near term impact on operations. Finally, they are looking to launch the last I-4 late this year or early 2008 which would result in \$160 million in capital expenditure. Management is also interested in adding S-band capabilities, perhaps with a partner.

### *Globalstar*

Tony Navarra, did as good a job as could be expected under the circumstances explaining in front of a skeptical audience that their fleet is not about to fall out of the sky and that they should be able to address their satellite degradation issues in a timely manner.

### *Iridium*

Iridium has been EBITDA positive since 2003 and growing over 20 percent. Their fleet is healthy with 9 spares and as a result they have a long horizon to replace it. Nevertheless, they avoided answering how they plan to raise the \$2 billion necessary for their "Next" fleet but did suggest adding imaging on next generation to provide real time imaging. (Note: although this is interesting it would have to be low resolution to be affordable) They currently have 175,000 subscribers with low churn and expect M2M to be much of future growth as M2M grew at 185 percent last year driven by smaller and cheaper CPE. Management noted they have patient shareholders which indicates they won't have to make any drastic moves.

## Digital Imaging

### Industry

Matt O'Connell of GeoEye doesn't see more operator consolidation in remote sensing but did predict imaging used increasingly through online services and distribution channels consolidating more. His firm has good relationship with US government, which is helpful since he is not sure the commercial segment is growing fast enough to allow new entrants. Remote sensing is cost effective – he is not concerned about US elections at all - it keeps jobs in the US although he thinks outsourcing will grow.

### Companies

#### *GeoEye*

GeoEye's next satellite will have a resolution of 0.41m but US companies are not allowed to sell images under 0.8m without waiting 24 hours, despite the fact that other countries can. In the near future the company will have three high resolution satellites and one low resolution revenue satellite. He thinks GeoEye has an advantage with accuracy and that this allows them to price higher and also be the leader in the industry for the foreseeable future. In addition, he predicts that there could be more demand in the US they can tap but that true commercial work is only 20%.

Matt O'Connell of GeoEye doesn't see more operator consolidation in remote sensing but did predict imaging used increasingly through online services and distribution channels consolidating more.

Google Earth and Microsoft's Visual Earth are driving a need for very high resolution imagery that is frequently updated.

## **Conference Roundup (cont)**

---

### *DigitalGlobe*

As with GeoEye, it expects the launch of its next two higher resolution imaging satellites to expand government demand and add to cash flow and profitability. Also expects this higher resolution satellite imagery to expand commercial demand, but has found the sweet spot for the commercial/consumer market may rely on even higher resolution aerial imagery (e.g. 6 inches) and web-based distribution, hence its recent acquisition of GlobeXplorer, a web-based platform with significant aerial content.

# 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:			
		2/23/07	Market Value of Equity	Enterprise Value (a)	LTM Sales	LTM EBITDA	LTM EBIT	LTM EPS	2007E EPS (b)	2008E EPS (b)	
<b>Satellite Capacity Leasing (FSS)</b>											
LORL	Loral Space & Comm (new)	\$ 51.11	\$1,022.2	\$1,043.8	1.3x	16.3x	n/m	n/m	n/m	n/m	
SESG.PA	SES Global S.A. (c)	\$ 18.38	\$12,635.4	\$16,709.9	8.3x	12.1x	21.5x	21.0x	18.7x	16.3x	
					Mean	5.7x	13.4x	26.2x			
<b>Satellite Equipment Manufacturers &amp; Integrators</b>											
GILT	Gilat Satellite Networks	\$ 8.64	\$346.9	\$273.8	1.1x	8.7x	24.2x	47.0x	20.1x	16.6x	
GCOM	Globecom	\$ 11.22	\$177.7	\$151.9	1.2x	23.6x	44.5x	40.8x	23.9x	17.5x	
VSAT	ViaSat	\$ 35.60	\$1,086.5	\$1,040.0	2.1x	18.1x	32.1x	44.5x	28.0x	23.6x	
ORB	Orbital Sciences	\$ 19.53	\$1,165.9	\$1,059.4	1.3x	14.0x	17.2x	33.4x	39.1x	25.4x	
RADN	Radyne Comstream Inc.	\$ 9.70	\$183.5	\$158.8	1.2x	7.3x	8.8x	14.6x	13.9x	n/a	
CMTL	Comtech Telecommunications	\$ 36.43	\$1,010.7	\$870.4	2.3x	11.2x	14.0x	22.6x	20.4x	18.8x	
CDV	COM DEV International (d)	\$ 4.99	\$301.0	\$288.5	2.4x	13.5x	18.9x	n/m	n/m	n/m	
					Mean	1.7x	13.8x	22.8x	33.8x	24.2x	
<b>Towers</b>											
AMT	American Tower	\$ 40.25	\$17,259.2	\$20,619.0	16.0x	26.4x	n/m	n/m	n/m	n/m	
CCI	Crown Castle	\$ 34.45	\$7,214.0	\$10,450.6	13.8x	28.1x	n/m	n/m	n/m	n/m	
SBAC	SBA Communications	\$ 28.61	\$2,967.8	\$4,324.4	13.6x	33.5x	n/m	n/m	n/m	n/m	
					Mean	14.5x	29.3x				
<b>General Telecom</b>											
AT	Alltel	\$ 62.70	\$24,264.9	\$24,113.4	2.3x	6.2x	10.9x	17.4x	21.8x	19.3x	
T	AT&T (new)	\$ 37.00	\$143,560.0	\$173,821.0	2.9x	8.6x	16.4x	20.4x	14.1x	12.5x	
VZ	Verizon Communications, Inc.	\$ 38.41	\$113,117.5	\$178,886.9	2.0x	5.9x	11.4x	15.6x	16.2x	14.9x	
S	Sprint Nextel Corporation	\$ 19.27	\$57,212.6	\$77,065.6	1.7x	5.4x	20.0x	32.1x	15.4x	23.5x	
					Mean	2.2x	6.5x	14.7x	21.4x	16.9x	
<b>TELECOM SERVICES INDEX (excludes Towers stocks)</b>											
					High	8.3x	23.6x	44.5x	47.0x	39.1x	25.4x
					Mean	2.4x	12.2x	24.6x	28.1x	21.0x	17.1x
					Low	1.1x	5.4x	8.8x	14.6x	13.9x	12.5x

## 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:		
		2/23/07	Market Value of Equity	Enterprise Value (a)	LTM Sales	LTM EBITDA	LTM EBIT	2007E EPS (b)	2008E EPS (b)	
<b>Satellite Television (DBS)</b>										
BSY	British Sky Broadcasting (f)	\$ 8.71	\$15,605.45	\$16,630.65	2.0x	7.3x	10.0x	14.1x	13.0x	
DISH	EchoStar Communications	\$ 42.52	\$18,980.8	\$23,451.0	2.5x	9.5x	16.4x	31.5x	22.5x	
DTV	DirecTV Group Inc.	\$ 22.88	\$26,510.4	\$27,856.5	2.0x	9.8x	14.5x	17.0x	14.6x	
					Mean	2.2x	8.9x	13.6x	20.9x	
<b>Television</b>										
TVL	LIN TV Corp.	\$ 14.06	\$688.2	\$1,645.6	3.7x	12.3x	27.1x	n/m	74.0x	
SBGI	Sinclair Broadcast Group	\$ 14.71	\$1,458.5	\$2,834.4	4.1x	13.4x	17.3x	36.8x	24.1x	
UVN	Univision Communications	\$ 35.98	\$12,192.4	\$13,260.7	6.1x	17.5x	19.9x	29.0x	25.5x	
YBTVA	Young Broadcasting Inc.	\$ 4.07	\$88.6	\$826.0	3.9x	19.9x	n/m	n/m	n/m	
					Mean	4.4x	15.8x	21.4x	32.9x	
<b>Satellite Radio (DARS)</b>										
SIRI	Sirius Satellite Radio	\$ 3.74	\$5,255.8	\$5,987.4	11.4x	n/m	n/m	n/m	n/m	
WRSP	Worldspace	\$ 4.12	\$154.8	\$159.3	10.6x	n/m	n/m	n/m	n/m	
XMSR	XM Satellite Radio	\$ 15.10	\$4,050.8	\$5,122.8	6.0x	n/m	n/m	n/m	n/m	
					Mean	9.3x				
<b>Radio</b>										
CCU	Clear Channel	\$ 36.47	\$17,969.3	\$26,315.6	3.8x	11.7x	16.2x	27.4x	24.0x	
CMLS	Cumulus Media Inc.	\$ 10.21	\$446.4	\$1,010.7	3.1x	12.1x	15.5x	78.5x	63.8x	
CXR	Cox Radio Inc.	\$ 15.50	\$1,480.0	\$1,886.0	4.3x	11.9x	12.7x	18.2x	19.6x	
EMMS	Emmis Communications Corp.	\$ 8.59	\$319.4	\$998.1	2.7x	14.9x	19.1x	n/m	n/m	
ETM	Entercom Communications	\$ 30.12	\$1,349.4	\$1,996.4	4.7x	12.4x	13.8x	22.0x	19.8x	
ROIA	Radio One Inc.	\$ 7.43	\$733.4	\$1,691.8	4.6x	11.9x	13.7x	n/m	n/m	
					Mean	3.9x	12.5x	15.2x	36.5x	
<b>NewsPrint</b>										
DJ	Dow Jones	\$ 37.17	\$3,114.1	\$3,768.0	2.0x	16.4x	29.8x	24.6x	20.9x	
MNI	The McClatchy Company	\$ 38.42	\$3,119.4	\$5,588.7	3.5x	13.6x	17.2x	16.3x	14.6x	
NYT	New York Times	\$ 26.03	\$3,763.1	\$5,195.8	1.5x	10.6x	15.3x	22.4x	20.7x	
TRB	Tribune	\$ 30.70	\$7,761.0	\$12,797.4	2.3x	9.2x	11.1x	15.3x	14.5x	
WPO	Washington Post	\$ 788.65	\$7,580.5	\$7,678.3	2.0x	10.2x	14.3x	21.7x	20.7x	
					Mean	2.3x	12.0x	17.5x	20.1x	
<b>MEDIA SERVICES INDEX (excludes Satellite Radio (DARS) stocks)</b>										
					High	6.1x	19.9x	29.8x	78.5x	74.0x
					Mean	3.3x	13.2x	16.7x	25.0x	28.0x
					Low	1.5x	7.3x	10.0x	14.1x	13.0x

(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 1.312 US \$ per Euro

(d) Converted to US \$ from C\$ at an exchange rate of 0.86103 US \$ per C\$

(f) Converted to US \$ from British Pound at an exchange rate of 1.95277 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
<b>Satellite Operators</b>						
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
<b>Ground Equipment</b>						
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
<b>Video Distribution Equipment</b>						
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
<b>Towers</b>						
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
<b>General Telecom (Wireless)</b>						
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
<b>Television</b>						
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
<b>Radio</b>						
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
<b>New Media</b>						
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 partners, Hoyt Davidson and Armand Musey, were both panelists at this year's Satellite 2007 conference. Hoyt was on the panel titled "The Financial State of the Industry" and Armand was on "IPTV via Satellite." To see Hoyt's presentation please go to:

<http://www.nearearthllc.com/analysis/conference.asp>

---

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](mailto:John@nearearthllc.com)

April 9-12	National Space Symposium, Colorado Springs, CO
April 16-17	Space Investment Summit, New York, NY
May 22-23	Mobile Satellite Users Association's 4 <sup>th</sup> Annual Conference, Baltimore, MD

---

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](mailto:dan@nearearthllc.com).













# 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.

## Recent transactions

 <b>Hughes Network Systems</b>  Near Earth LLC provided in-depth valuation and analysis	 <b>Murray Capital Management</b> Valuation of three telecom portfolio holdings Near Earth LLC provided in-depth valuation and industry analysis	 Series C Convertible Participating Preferred Stock The Near Earth Investment Club financed a portion of the round	
 <b>International Datacasting, Corp.</b> Acquisition of PROfile B.V. Near Earth LLC acted as strategic advisor to the acquirer	<b>\$5,400,000</b>  <b>Series A Convertible Preferred Stock</b> The Near Earth Investment Club financed a portion of the round	 <b>SES AMERICOM</b> Valuation of orbital slot Near Earth LLC valued assets for expert witness testimony	<b>\$110,000,000</b>  served as the lead investor in  Series B Redeemable Convertible Preferred Stock Near Earth LLC acted as Financial Advisor to PCG
 <b>Intelsat. Ltd.</b> Private sale of minority block of shares Near Earth LLC acted as advisor to investor group	 <b>Madison Dearborn Partners</b> Bid to acquire \$450 million minority stake in Inmarsat Near Earth LLC acted as financial advisor to the bidder	 <b>XM Satellite Radio, Inc.</b> Creation of Canadian joint venture Near Earth LLC acted as financial advisor to both parties	 <b>XM Satellite Radio, Inc.</b> \$435 million private placement Near Earth LLC acted as financial advisor to the issuer

For more information about our current transactions or about Near Earth LLC, please visit our website at [www.nearearthllc.com](http://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

## IMPORTANT DISCLOSURES AND INFORMATION ABOUT THE USE OF THIS DOCUMENT:

Near Earth, LLC ("Near Earth") has published this report solely for informational purposes. The report is aimed at institutional investors and investment professionals, and satellite, media and telecom industry professionals. This report is not to be construed as a recommendation or solicitation to buy or sell securities. The report was written without regard for the investment objectives, financial situation, or particular needs of any specific recipient, and it should not be regarded by recipients as a substitute for the exercise of their own judgment. The content contained herein is based on information obtained from sources believed to be reliable, but is not guaranteed as being accurate, nor is it a complete statement or summary of any of the markets or developments mentioned.

The authors of this report are employees of Near Earth, LLC, which is a member of NASD. The opinions expressed in this report accurately reflect the personal views of the authors but do not necessarily reflect the opinions of Near Earth itself or its other officers, directors, or employees. The portions of this report produced by non-Near Earth employees are provided simply as an accommodation to readers. Near Earth is under no obligation to confirm the accuracy of statements written by others and reproduced within this report.

Near Earth and/or its directors, officers and employees may have, or have had, interests in the securities or other investment opportunities related to the companies or industries discussed herein. Employees and/or directors of Near Earth may serve or have served as officers or directors of companies mentioned in the report. Near Earth does, and seeks to do, business with companies mentioned in this report. As a result, Near Earth may have conflicts of interest that could affect the objectivity of this report.

This report is subject to change without notice and Near Earth assumes no responsibility to update or keep current the information contained herein.

Near Earth accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this report.

No part of this report may be reproduced or distributed in any manner, via the Internet or otherwise, without the specific written permission of Near Earth. Near Earth accepts no liability whatsoever for the actions of third parties in this respect.