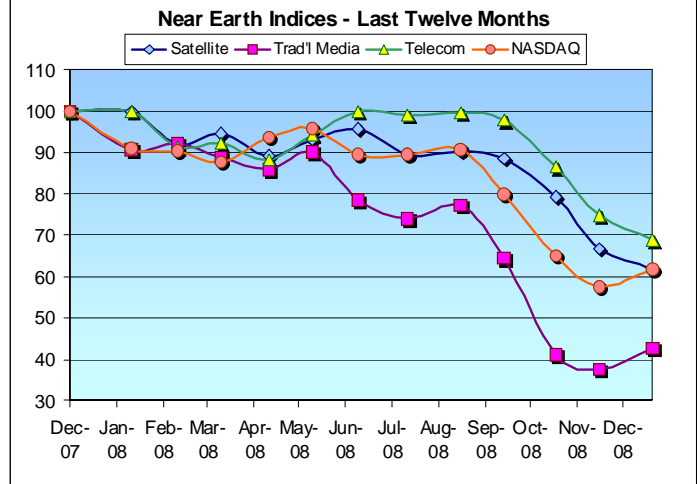


FROM THE GROUND UP

January 2009

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THE WAY WE SEE IT...

Satellite:

Satcom provider **EMS Technologies** announced its acquisition of onboard networking firm **Formation** for \$40 million (about 7 times EBITDA - plus a \$15 million earnout), extending its offerings to cover the last "mile" aboard aircraft. The transaction is expected to be accretive and shows that strategic deals continue to get done in today's market. **SpaceX** and **Orbital Sciences** got to split NASA's COTS contract awards - ringing up \$1.6 billion and \$1.9 billion in fresh backlog, respectively, and creating fresh competition in the space launcher marketplace.

Telecom:

Reflecting the reality of lower market prices for **Clearwire's** stock, strategic investor **Intel** wrote down its investment by \$950 million (roughly 60% of the original investment), a deep hole that's going to take a lot of equipment sales to dig out of. Communications tower companies such as **American Tower**, **Crown Castle**, and **SBA**, in the meantime, which have been counting on Clearwire's network build-out as a potential source of growth, have seen their public market values stabilize as concerns about credit refinancing risks for these companies have abated. Nevertheless, we may continue to see tower valuations reflecting a mature, stable revenue-base, capital-cost intensive profile (much like real estate, rather than growth telecom) for some time.

Media:

There seem to be few major product launches at the CES this year, at least by traditionally splashy standards. Of note is a new **LG Electronics** HD television line equipped to stream movies from **Netflix**, and a new Internet radio automotive system from **Blaupunkt** (subsidiary of **Bosch Group**). In both cases we see a theme of the old migrating to the new in fields that had been until now fairly safe for incumbents (e.g., **Blockbuster** and cable operators in the case of home movies, **Sirius XM Radio** and traditional radio in the case of car systems). As this occurs, the pressure keeps mounting for traditional media companies to redefine themselves, and in some cases hopefully in a hurry. We note recent speculation about the impending bankruptcy of **The New York Times**, by example. We also note the market caps of radio bellwethers such as **Entercom**, **Radio One**, and **Emmis** at levels that could collectively approximate a merger of equals with legendary VC Tom Perkins's (**Kleiner Perkins**) yacht, now on the market.

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... to think back upon financial trends [since the 1980s], and the extent to which “exit” – rather than value creation through business fundamentals – or “refinancing” – rather than repayment – played a critical role throughout...

... the asset securitization structures that emerged in the 90s and grew like wildfire thereafter, were built upon a continuous source of refinancing ... the “dot-com” bubble, on another level, was based on quick flip opportunities...

Yes there were happy days indeed, those decades of liquidity and high finance. There was a high yield bond market expansion in the 80s that fueled a leveraged buyout boom... then the 90s evolution of structured financings that converted into instant cash slightly less liquid assets such as packaged credit card receivables, but soon opened up to mortgages of all kinds, and car loans, and then more esoteric assets like insurance premiums, tax credits, entertainment libraries, and trademarks. And when the potential investment uses failed to keep up with escalating liquidity, we invented assets to finance by tagging the names of projects with a “dot-com” suffix. Now that was just going too far... But we learned our lesson, and in the subsequent decade we focused primarily on funding structures with strict cash-flow based credit limits in the 12-15x range, and only for the soundest underlying business models in which we could also afford to do away with financial covenants. In light of the conservatism and responsibility which has come to characterize our financial system for so long, as illustrated, it comes as a shock to hear about a global Ponzi scheme approximated by its mastermind at plus or minus \$50 billion, (or about half of the current market caps of companies like Google and Cisco, and twice those of Amazon and Dell).

In a recent Henry Blodget article at Silicon Alley Insider, a conversation with Silicon Valley legend Andy Grove is described, in which the former Intel Chairman, CEO, and third company employee, reflected on the strange notion of “exit” as a driving force behind the strategies of entrepreneurs, (which of course also holds true for their backers). “Intel never had an exit strategy,” he is quoted to say. This comment leads one to think back upon the financial trends described above, and the extent to which “exit” – rather than value creation through business fundamentals – played a critical role throughout. In the case of LBOs as far back as the 80s, for example, those highly leveraged deals presupposed a successful refinancing – not only of the sponsor equity but also of the junk debt at maturity if not far sooner. While debt is by its nature predicated on an eventual repayment, as opposed to the perpetual capital nature of equity, there is an important distinction between repayment of debt and its refinancing, in that the latter (like an equity exit) requires a counterparty to exit to. (We will return to the concept of a Ponzi scheme shortly below.)

In the same way, the asset securitization structures that emerged in the 90s and grew like wildfire thereafter, were built upon a continuous source of refinancing (as opposed to repayment) of short term paper. The now notorious “dot-com” bubble, on another level but similarly, was based on IPO successes that would create quick flip opportunities for founders, their original backers, and even the IPO investors who knew that a rapid sale was certain to occur in a hungry market that would instantly bid up the stock price, which was banking on a still hungry (or hungrier) market subsequently to bid it up some more... and so on. The credit bubble that

Ponzi's final exit (cont'd)

has now come to characterize our current malaise, has largely also been based on the notion of a deep and liquid market in which paper of all kinds could be easily offloaded, and the refinancing requirement for debt was this time no longer limited to junk bonds but also the bank debt that, back in the day, in the traditional LBO model, could at least have been repaid through a borrower's generated cash flow.

On a certain level, the difference between a concept like Bernie Madoff's, on one hand, and on the other hand corporate financings that depend purely on a healthy "exit" or "refinancing", is mainly a difference of disclosure...

On a certain level, the difference between a concept like Bernie Madoff's, on one hand, in which existing investor returns are dependent upon a future investor's existence, and on the other hand corporate financings that depend purely on a healthy "exit" or "refinancing", is mainly a difference of disclosure. Had Madoff informed his investors through a prospectus upfront about the necessity of future investors continuing to buy in, in order to generate return of and on capital for previous investors, then his structure would have been remarkably similar to a perfectly legitimate "dot-com" IPO or, what's frighteningly worse, a highly levered senior debt position in support of a corporate buyout or recapitalization circa 2006. With this in mind, the Madoff scandal may come to signify more than the epitome of market excess, but the end of an economy fueled almost entirely by financial capital and, more precisely, the locomotive of liquidity that has pushed asset valuation without a commensurate underpinning of business or economic fundamentals.

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In our new economic reality, in the post-Madoff world, we would not necessarily look for business planning and active strategic redirection to displace corporate finance strategy, but to assume a much more prominent role around corporate boardrooms and C-level suites than may for some have been the case in the recent past. We would look for highly strategic acquisitions to continue, and possibly even increase in number, but we would expect such transactions to carry much more conservative valuations than has been the case, and we could also expect to see a greater use of long term and incentive-based payment structures such as stock-based consideration and earn-outs, rather than a seller's quick exit through pure cash transactions... and buyers left holding the baggage alone. In the meantime, reports of a more selective financial sponsor community have already been widely circulated, and while this will probably make sellers less instantly wealthy, it should in the longer term lead to better deals, with healthier balance sheets, less pressure on costs, and better ability to compete in a global economy.

It may be, therefore, that the current economic shakeout, as painful as it now seems (and actually is), will in a few years be deemed a healthy and necessary event, from which future generations (and maybe even our own) will benefit. While such seemingly bizarre optimism goes counter to the precept that history repeats itself, a truth that was manifest as recently as the variety of back-to-back bubbles described herein, it is also true that the current economy seems literally to have no historical precedent. This

Ponzi's final exit (cont'd)

... the current economic shakeout, as painful as it now seems (and actually is), will in a few years be deemed a healthy and necessary event.

bubble burst, unlike its many predecessors, has not left new industries in its wake – such as at one time railroads, oil, electrical utility, broadcasting, computers, or the Internet – to drive future prosperity after a necessary housecleaning. Instead, this shakeup has left us with only two inheritances: one, a massive inventory of vacant capacity that may or may not again be utilized and that will thus force us to be inventive; and two, a shock to the system of such magnitude that lasting lessons are bound to be learned... even by Wall Street types.

By Dan Ramsden
Near Earth LLC

... with private-sector demand in turmoil, the capital markets morose and with trillion-dollar government stimulus packages being actively bandied about ... government market[s] are looking more and more attractive.

... If we must have ... government spending, then there ought to be a way for it to support the activities of the most dynamic and entrepreneurial companies without stunting their development...

What role for government in the financial marketplace? A question that is now academic, as the role of government is great in many swaths of the economy, in areas such as health, transportation and aerospace and defense. In normal times, the companies that participate in government business – either through direct procurements or via subcontracts, would be viewed as less exciting, slower growth investment opportunities. Now, with private-sector demand in turmoil, the capital markets morose and with trillion-dollar government stimulus packages being actively bandied about, companies that participate in the government market are looking more and more attractive. In these times of government largesse looming larger than private sector largesse, we ought to consider the implications on business development and on financing of competitors in this field.

For smaller companies, participating in the market for government contracts can be a difficult experience. Onerous reporting requirements and an often obtuse bureaucracy can turn off small entrepreneurial companies that would just as well do without the headache of working with the government. Although modern government practices have tended to specifically favor certain types of small business in contracting, too often they are still going up against huge, well-connected, competitors. Even for those better suited to the government contract and procurement process, there too can be peril. Relatively “easy” money, in the form of contract set-asides, favorable bidding status for procurements or special research or technology-transfer grants for small companies, can be a booster for initial growth but can also have negative effects. By orienting itself to the specifics of government demand and the perils of bureaucracy, a small company can neglect greater opportunities in the private sector and stunt its own growth.

There ought to be a better way. If we must have the long arm and the fat wallet of government spending, then there ought to be a way for it to support the activities of the most dynamic and entrepreneurial companies without stunting their development. Although many solutions have been proposed to address this problem, we would like to highlight one experiment which stands out in the unique way it bridges government interests with the needs of entrepreneurial firms - an outfit known as In-Q-Tel.

Launched in 1999 by none other than the Central Intelligence Agency, In-Q-Tel is a private, independent, not-for-profit organization, which acts as a venture capital arm of the CIA. In this arrangement, the CIA provides government funds plus its copious technical resources, while In-Q-Tel identifies and executes equity investments in companies that show promise in developing technologies that benefit both their potential for growth and the CIA’s activities. While the government aspect is a unique

A capital idea (cont'd)

element, this arrangement is not too different from the strategic venture capital funds set up by the likes of Motorola, Sony or Intel. At its most basic level, the concept combines the government's advantage of deep pockets and access to resources with the agility and independence of a venture capital firm.

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The results of this experiment in government backed VCs have thus far been fairly encouraging. Over the course of its short history, In-Q-Tel has produced engagements with over a hundred companies, many of whom had never transacted business with the US government before. On the government side of the ledger, In-Q-Tel claims to have delivered more than 140 technology solutions for the benefit of the US Intelligence Community. One particular standout engagement was its investment in Keyhole, a Mountain View, California developer of digital mapping solutions. Not long after the investment, Keyhole was sold to Google – and today its central product is known much more famously as Google Earth. From both a financial and strategic perspective, this was a nice return on investment.

If a government-sponsored venture capital fund can work for intelligence gathering and analysis, whither the more capital intensive areas of government, such as aerospace and defense? There is OnPoint Technologies, the VC backed by the US Army, which has made a number of investments in energy technologies. If this model is good for the CIA and the Army, what then our space agency, NASA? As one of the most voracious consumers of advanced technology, surely it should be looking at innovative ways to find it in the private sector.

... with a new mission and vision for exploration ... with NASA's own Administrator ... having previously served as President of In-Q-Tel, it seemed that the stars were aligned for such a fund

Earlier this decade – with a new mission and vision for exploration, with In-Q-Tel and the idea around it gaining its own traction, and above all else, with NASA's own Administrator, Dr. Michael Griffin, having previously served as President of In-Q-Tel, it seemed that the stars were aligned for such a fund. In 2006 plans were drawn up for the creation of what would be known as 'Red Planet Capital', funded by NASA (to the tune of about \$11 million) and administered by experienced investment professionals. Just as with In-Q-Tel, investments would seek technologies and companies that would enable NASA's ambitious exploration plans. Press releases were written and a new era of public-private collaboration at NASA was hailed. Unfortunately, as months following the announcements went by, the plans ran aground and then quietly scrapped.

Although what little explanation exists publicly about the fate of Red Planet Capital mentions budgetary pressures and shifting priorities, reliable inside sources indicated another reason. Officials had apparently objected to the idea that government would participate in the equity market by taking stakes in portfolio companies. Although there is merit in this line of thought, given recent events in the financial world and what has effectively

A capital idea (cont'd)

been the partial nationalization of the financial system, this argument seem a bit quaint.

We believe the idea merits reconsideration. As they serve NASA and the CIA's unique needs, government-backed funds are less likely to compete with private VCs for the same deal flow. Moreover, in the troubled economic times in which we now live, competition for deal flow is hardly the issue. Most VCs are conserving their scarce cash to service their existing portfolio companies while entrepreneurs are left in the lurch with limited access to capital. New sources of funds making new investments, particularly in an environment in which the sources of business may be shifting from the private to the public sector, may be just what the economic doctor ordered. Lastly, consider the alternative – money from government VCs would otherwise be spent on funding more of the traditional forms of government spending. Is that necessarily a better allocation of resources?

With a new administration in the wings and change in the air, no doubt many new initiatives will be unveiled or revived from previous lives, and we believe that Red Planet Capital should be one of these. But why stop at NASA? Certainly other government agencies and departments could pursue new technologies and innovative companies through their own venture capital arms. How about a VC for the Department of Health and Human Services to develop new medical tests and therapies? Or how about a VC for the Department of Energy to support clean energy technology or efficient transportation? For that, we could even call it 'Green Planet Capital'.

In the Federalist Papers, James Madison wrote that "No government, any more than an individual, will long be respected without being truly respectable." If government is to keep its new-found role in the financial markets, or even its more traditional role in executing large, difficult national projects, then it must constantly seek and find new ways to be more innovative and to use the public purse wisely. New initiatives and new visions will only get us so far - what we need are new ways of doing business. With smarter practices and new ideas resulting in more efficient uses of funds, shouldn't we get not only the government we have but the government we need and deserve? Now that would be a capital idea.

... money from government VCs would otherwise be spent on funding more of the traditional forms of government spending ...

... "No government, any more than an individual, will long be respected without being truly respectable." ...

By Ian Fichtenbaum
Near Earth LLC

The holiday shopping Last month, SES announced plans to discontinue its slow growing IP-Prime content aggregation and distribution service. In an announcement, Rob Bednarek, president and CEO of SES Americom-New Skies was quoted “In line with its plan, IP-Prime has contracted IPTV signal delivery agreements with 70 small telecom operators, of which 37 have so far reached commercial stage. However, with a subscriber base of less than 10,000 at the end of November and after more than two years of service, the consumer uptake is insufficient to justify continuing operations”. This raises the issues: what went wrong? And, is there a winner here?

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First, a quick introduction: IP-Prime is an in-house initiative by SES to create a “new and improved” version of Comcast’s HITS (Headend In The Sky), a programming aggregator and distributor that has been providing a service that distributes a block of video programming for cable systems. Unlike HITS, IP-Prime has been marketed primarily to rural telephone operators, although it also is applicable to cable systems. Also unlike HITS, IP-Prime uses IP formatting and MPEG-4 compression, which greatly reduces bandwidth needs and provides streams in IP format ideal for IPTV for rural telecom operators.

Following its program launch in 2005 and subsequent service launch, uptake for IP-Prime has proven to be quite slow – as documented by the numbers related above. When we queried some industry players, they cited several factors that, in combination, have played a significant role:

- High cost of MPEG 4 set top boxes (mitigated to an extent more recently)
- Slow rollout of IPTV among rural telcos
- Inexperience in marketing to the sector
- Budget constraints at tier 2 and tier 3 IPTV operators (in marked contrast to the well funded Verizon and AT&T, which have rolled out IPTV service to millions)
- Competitive pressure from Avail Media, HITS and other programming delivery methods

... the 2008 financial crisis was the final straw – by reducing access to capital for rural telcos and their ability to accelerate planned IPTV rollouts – which are capital intensive.

Given the timing of the announcement, it is reasonable to assume that the 2008 financial crisis was the final straw – by reducing access to capital for rural telcos and their ability to accelerate planned IPTV rollouts – which are capital intensive.

Who wins? For now at least, the direct winners are IP-Prime’s competitors: Avail Media (closely associated with SES competitor Intelsat), Falcon IP/Complete and DISH Network, which stand to pickup most or even all of IP-Prime’s customer base. Less directly, manufacturers of transcoding equipment that can offer a means of taking

IP-Prime – RIP (cont'd)

... service providers that directly stream content... TVs could also see a surge in business form rural telcos facing pressure from DBS operators.

MPEG-2 streams from HITS or elsewhere are likely to see a bump in orders. And finally, service providers that directly stream content over the public internet and offer solutions ready to hook up to TVs could also see a surge in business form rural telcos facing pressure from DBS operators.

What happens to IP-Prime? While SES has agreed to continue to run the service through July 31st at least, we would not be entirely shocked to see a buyer emerge for the business unit. With a low cost basis from buying the equipment at pennies on the dollar, and content deals in place, an operator with execution capabilities that can help fill in IP-Prime's gaps could well make a go of it.

By John Stone
Near Earth LLC

NEAR EARTH ANALYSIS: MARKET COMPARABLES

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: | | | |
|---|-------------------------------|--------------|------------------------|----------------------|---|------------|----------|-------------------------|---------------|---------------|-------|
| (\$ in millions, except per share data) | | 1/7/09 | Market Value of Equity | Enterprise Value (a) | LTM Sales | LTM EBITDA | LTM EBIT | LTM EPS | 2008E EPS (b) | 2009E EPS (b) | |
| Satellite Television (DBS) | | | | | | | | | | | |
| BSY | British Sky Broadcasting (f) | \$ 7.14 | \$12,482.3 | \$14,270.5 | 1.9x | 9.7x | 13.0x | 19.7x | 16.1x | 13.9x | |
| DISH | Dish Network Corp | \$ 12.02 | \$5,529.7 | \$10,078.1 | 1.0x | 3.6x | 8.3x | 8.5x | 6.0x | 5.2x | |
| DTV | DirectTV Group Inc. | \$ 22.72 | \$25,241.9 | \$28,174.9 | 1.5x | 5.8x | 10.3x | 15.9x | 16.2x | 13.0x | |
| Mean | | | | | 1.4x | 6.4x | 10.6x | 14.7x | 12.8x | 10.7x | |
| Cable Television | | | | | | | | | | | |
| CHTR | Charter Communications Inc. | \$ 0.17 | \$61.2 | \$20,158.2 | 3.2x | 8.7x | 20.2x | n/m | n/m | n/m | |
| CMCSA | Comcast Corporation | \$ 16.64 | \$47,762.4 | \$76,320.4 | 2.3x | 5.9x | 11.7x | 16.8x | 18.5x | 16.0x | |
| MCCC | Mediacom Communications Corp. | \$ 4.12 | \$399.3 | \$3,592.6 | 2.6x | 7.2x | 13.9x | n/m | n/m | n/m | |
| TWC | Time Warner Cable Inc. | \$ 21.56 | \$21,090.0 | \$32,469.0 | 1.9x | 5.2x | 10.3x | 15.7x | 18.6x | 19.6x | |
| Mean | | | | | 2.5x | 6.8x | 14.0x | 16.2x | 18.5x | 17.8x | |
| Television | | | | | | | | | | | |
| TVL | LIN TV Corp. | \$ 1.54 | \$78.0 | \$897.0 | 2.2x | 5.1x | 7.5x | 2.0x | n/m | 8.6x | |
| SBGI | Sinclair Broadcast Group | \$ 3.86 | \$332.6 | \$1,734.3 | 2.3x | 5.4x | 10.0x | 4.7x | 6.0x | 16.1x | |
| YBTV | Young Broadcasting Inc. | \$ 0.05 | \$1.2 | \$805.2 | 5.3x | 18.0x | n/m | n/m | n/m | n/m | |
| Mean | | | | | 3.3x | 9.5x | 8.7x | 3.4x | 6.0x | 12.3x | |
| Satellite Radio (DARS) | | | | | | | | | | | |
| SIRI | Sirius XM Radio | \$ 0.14 | \$353.9 | \$3,367.0 | 1.4x | n/m | n/m | n/m | n/m | n/m | |
| Mean | | | | | 1.4x | | | | | | |
| Radio | | | | | | | | | | | |
| CMLS | Cumulus Media Inc. | \$ 2.78 | \$116.5 | \$626.2 | 2.0x | 7.4x | 8.8x | 7.6x | 5.6x | 9.9x | |
| CXR | Cox Radio Inc. | \$ 6.38 | \$532.0 | \$945.2 | 2.2x | 6.6x | 7.1x | 3.2x | 8.4x | 10.0x | |
| EMMS | Emmis Communications Corp. | \$ 0.36 | \$13.2 | \$583.2 | 1.6x | 8.3x | 10.7x | n/m | n/m | n/m | |
| ETM | Entercom Communications | \$ 1.58 | \$57.5 | \$930.8 | 2.0x | 6.9x | 8.1x | 1.3x | n/m | 1.9x | |
| ROIA | Radio One Inc. | \$ 0.65 | \$61.4 | \$797.3 | 2.4x | 9.6x | 12.2x | n/m | 7.2x | 4.6x | |
| Mean | | | | | 2.1x | 7.8x | 9.4x | 4.0x | 7.1x | 6.6x | |
| NewsPrint | | | | | | | | | | | |
| MNI | The McClatchy Company | \$ 1.48 | \$122.0 | \$2,319.5 | 1.2x | 7.0x | 12.6x | 5.0x | 2.2x | 3.6x | |
| NYT | New York Times | \$ 7.34 | \$1,055.4 | \$1,745.5 | 0.6x | 5.1x | 9.3x | 9.7x | 11.0x | 13.8x | |
| WPO | Washington Post | \$ 418.50 | \$3,916.3 | \$4,189.3 | 0.9x | 7.0x | 13.1x | 23.6x | 15.1x | 16.1x | |
| Mean | | | | | 0.9x | 6.4x | 11.6x | 12.8x | 9.4x | 11.2x | |
| | | | | | MEDIA SERVICES INDEX (excludes Satellite Radio (DARS) stocks) | | | | | | |
| | | | | | High | 5.3x | 18.0x | 20.2x | 23.6x | 18.6x | 19.6x |
| | | | | | Mean | 2.1x | 7.4x | 11.0x | 10.3x | 10.9x | 10.9x |
| | | | | | Low | 0.6x | 3.6x | 7.1x | 1.3x | 2.2x | 1.9x |

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

| (\$ in millions, except per share data) | | Stock Price: | | | Enterprise Value as a Multiple of: | | | Price as a Multiple of: | | | |
|--|------------------------------|--------------|------------------------|----------------------|---|------------|----------|-------------------------|---------------|---------------|-------|
| Company | | 1/7/09 | Market Value of Equity | Enterprise Value (a) | LTM Sales | LTM EBITDA | LTM EBIT | LTM EPS | 2008E EPS (b) | 2009E EPS (b) | |
| Satellite Capacity Leasing (FSS) | | | | | | | | | | | |
| ETL.PA | Eutelsat Communications | \$ 23.88 | \$5,161.6 | \$8,559.6 | 7.1x | 9.2x | 16.5x | 20.6x | 19.0x | 17.7x | |
| LORL | Loral Space & Comm. Inc. | \$ 15.02 | \$303.2 | \$529.0 | 0.6x | 4.4x | 10.1x | n/m | n/m | n/m | |
| SESG.PA | SES Global S.A. (c) | \$ 18.36 | \$9,300.0 | \$14,106.2 | 6.4x | 9.5x | 17.7x | 18.2x | 12.7x | 11.5x | |
| Mean | | | | | 4.7x | 7.7x | 14.8x | 19.4x | 15.8x | 14.6x | |
| Satellite Equipment Manufacturers & Integrators | | | | | | | | | | | |
| CDV | COM DEV International (d) | \$ 2.68 | \$183.2 | \$196.2 | 1.2x | 14.4x | 33.9x | 18.5x | 12.8x | 8.2x | |
| CMTL | Comtech Telecommunications | \$ 44.69 | \$1,321.5 | \$1,065.5 | 1.8x | 6.9x | 8.6x | 15.7x | 18.9x | 10.7x | |
| GCOM | Globecomm Systems Inc. | \$ 5.97 | \$123.5 | \$66.9 | 0.3x | 4.0x | 6.0x | 5.0x | 21.3x | 13.0x | |
| GILT | Gilat Satellite Networks | \$ 2.80 | \$118.4 | \$18.1 | 0.1x | 0.8x | 1.9x | 9.8x | 20.0x | 8.8x | |
| HUGH | Hughes Communications, Inc. | \$ 18.92 | \$402.5 | \$788.2 | 0.7x | 5.9x | 11.6x | 28.7x | 28.2x | 10.9x | |
| ISYS | Integral Systems Inc. | \$ 12.54 | \$214.6 | \$206.6 | 1.3x | 7.2x | 7.7x | 10.3x | 12.4x | 10.9x | |
| ORB | Orbital Sciences | \$ 18.70 | \$1,091.5 | \$750.8 | 0.6x | 5.8x | 6.7x | 13.3x | 18.9x | 20.8x | |
| SATS | EchoStar Corp. | \$ 15.25 | \$1,461.5 | \$858.4 | 0.4x | n/m | n/m | n/m | n/m | n/m | |
| VSAT | ViaSat Inc. | \$ 23.00 | \$739.2 | \$652.3 | 1.1x | 11.6x | 23.8x | n/m | 14.7x | 13.1x | |
| Mean | | | | | 0.8x | 6.0x | 9.5x | 13.8x | 19.2x | 12.6x | |
| Towers | | | | | | | | | | | |
| AMT | American Tower | \$ 29.06 | \$11,448.0 | \$15,815.3 | 10.1x | 16.1x | 30.1x | n/m | n/m | n/m | |
| CCI | Crown Castle | \$ 19.83 | \$5,603.5 | \$11,933.7 | 7.9x | 14.6x | n/m | n/m | n/m | n/m | |
| SBAC | SBA Communications | \$ 18.91 | \$2,200.0 | \$4,588.3 | 10.2x | 19.3x | n/m | n/m | n/m | n/m | |
| Mean | | | | | 9.4x | 16.7x | | | | | |
| General Telecom | | | | | | | | | | | |
| S | Sprint Nextel Corporation | \$ 2.38 | \$6,794.9 | \$25,243.9 | 0.7x | 3.3x | n/m | n/m | n/m | n/m | |
| T | AT&T | \$ 27.21 | \$161,573.0 | \$236,753.0 | 1.9x | 5.4x | 10.0x | 11.3x | 9.6x | 9.5x | |
| VZ | Verizon Communications, Inc. | \$ 31.90 | \$94,666.8 | \$174,637.8 | 1.8x | 5.6x | 10.6x | 15.1x | 12.5x | 11.9x | |
| Mean | | | | | 1.5x | 4.8x | 10.3x | 13.2x | 11.0x | 10.7x | |
| | | | | | TELECOM SERVICES INDEX (excludes Towers stocks) | | | | | | |
| | | | | | High | 7.1x | 14.4x | 33.9x | 28.7x | 28.2x | 20.8x |
| | | | | | Mean | 1.6x | 6.3x | 12.7x | 11.9x | 15.5x | 11.3x |
| | | | | | Low | 0.1x | 0.8x | 1.9x | 5.0x | 9.6x | 8.2x |

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

n/m Not Meaningful.

(c) Converted to US \$ from Euro at an exchange rate of 1.3659 US \$ per Euro.

(d) Converted to US \$ from C\$ at an exchange rate of 0.8359 US \$ per C\$.

(f) Converted to US \$ from British Pound at an exchange rate of 1.5129 US \$ per British Pound.

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 |
| 12/18/06 | Telesat (new) | Telesat/Skynet Combined | 3,491.0 | 3,990.0 | 7.1x | 13.4x |
| 06/19/07 | BC Partners | Intelsat | 5,000.0 | 16,400.0 | 7.7x | 11.3x |
| 08/02/07 | Abertis Telecom | Hispasat (28.4% share) (Pending) | 199.0 | 199.0 | 5.8x | 7.9x |
| | | | | Mean | 6.3x | 10.4x |
| Ground Equipment & Systems Integrators | | | | | | |
| 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 |
| 08/03/06 | Thrane & Thrane | Nera's Mobile Satellite Communications | 89.6 | 89.6 | 1.1x | n/d |
| 03/19/07 | CIP Canada Investment Inc. | Stratos Global Corporation | 293.3 | 621.5 | 1.2x | 2.9x |
| 05/12/08 | Comtech | Radyne | 201.9 | 223.6 | 1.5x | 16.0x |
| 07/10/08 | Nokia | Navteq | 7,719.0 | 8,100.0 | 8.8x | 29.5x |
| | | | | Mean | 1.1x | 9.4x |
| Aerospace and Defense | | | | | | |
| 04/23/07 | Kratos | SYS Technologies | 49.3 | 49.3 | 0.6x | n/m |
| 05/03/07 | Globecomm | GlobalSat | 18.4 | 18.4 | 0.9x | n/d |
| 07/31/07 | LMI Aerospace, Inc. | D3 Technologies, Inc. | 65.0 | 65.0 | 1.0x | 7.2x |
| 11/29/07 | Finmeccanica SPA | VEGA Group PLC | 59.2 | 56.2 | 0.9x | 9.6x |
| 05/12/08 | Finmeccanica SPA | DRS Technologies Inc | 3,358.0 | 4,930.0 | 1.4x | 11.0x |
| 05/13/08 | Cobham plc | M/A-COM | 425.0 | 425.0 | 0.9x | 6.8x |
| 06/04/08 | Cobham plc | Sparta Inc | 416.0 | 416.0 | 1.4x | 12.1x |
| 12/16/08 | Sierra Nevada Corporation | SpaceDev, Inc. | 31.7 | 26.6 | 0.7x | 23.3x |
| | | | | Mean | 1.0x | 11.7x |
| Video Distribution | | | | | | |
| 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 |
| 12/21/06 | Motorola | Tut Systems | 39.0 | 39.0 | 1.0x | n/d |
| 04/23/07 | Motorola | Terayon Communication Systems Inc. | 139.7 | 127.2 | 1.9x | n/m |
| 12/07/07 | Macrovision Corp | Gemstar-TV Guide Intl Inc | 2,842.1 | 2,325.1 | 3.7x | 21.9x |
| | | | | Mean | 1.9x | 13.2x |
| Towers | | | | | | |
| 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 | 309.0 | 11.9x | n/d |
| 10/06/06 | Crown Castle | Global Signal | 4,000.0 | 5,800.0 | 12.1x | 26.6x |
| 07/21/08 | SBA Communications Corp | Optasite Towers | 253.2 | 428.2 | 14.8x | n/m |
| | | | | Mean | 11.2x | 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 |
| 01/18/07 | Citadel Investment Group LLC | ION Media Networks Inc | 98.8 | 1,654.3 | 7.1x | 16.9x |
| 03/29/07 | Umbrella Holdings LLC | Univision Communications | 12,300.0 | 13,700.0 | 6.3x | 18.1x |
| | | | | Mean | 5.4x | 15.8x |
| Radio | | | | | | |
| 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 |
| 07/30/08 | Bain Capital | Clear Channel | 17,923.8 | 23,724.1 | 3.5x | 10.8x |
| | | | | Mean | 4.1x | 13.1x |
| New Media | | | | | | |
| 03/06/06 | NBC Universal | iVillage Inc. | 600.0 | 550.0 | 6.0x | 32.4x |
| 03/15/07 | Cisco | WebEx | 2,900.0 | 2,900.0 | 7.6 | 29.3 |
| 01/31/08 | Amazon.com | Audible | 280.7 | 257.0 | 2.4x | n/m |
| 02/11/08 | Microsoft | Danger | - | 500.0 | 8.9x | n/m |
| 03/04/08 | Demand Media | Pluck | - | 75.0 | 7.5x | n/d |
| 05/28/08 | comScore | M:Metrics | - | 44.3 | 4.0x | n/d |
| 05/15/08 | CBS | CNET | 1,800.0 | 1,800.0 | 4.4x | n/m |
| | | | | Mean | 5.4x | 23.7x |

(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

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