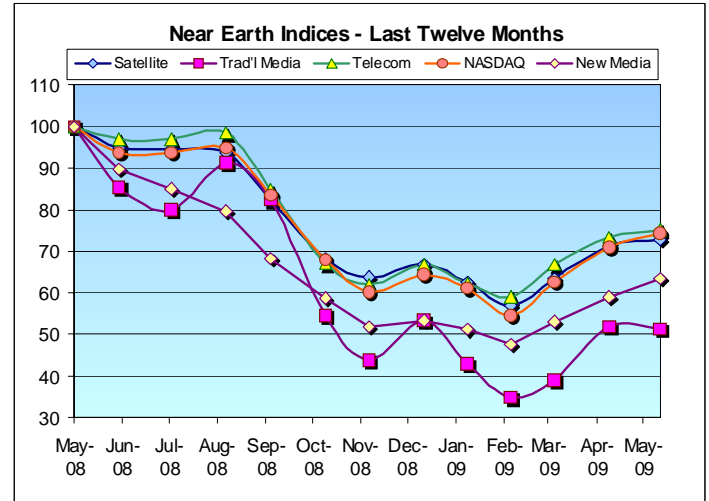


FROM THE GROUND UP

June 2009

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THE WAY WE SEE IT...

Satellite:

Following in the regulatory footsteps of the FCC in the United States, the European Commission granted hybrid satellite/terrestrial licenses for mobile satellite services to winners **Inmarsat** and **Solaris** (a **Eutelsat/SES** joint venture). These licenses are similar to the ATC authority the U.S. granted to **Globalstar**, **Terrestar**, **ICO** and **Skyterra**. Given the muted stock price reaction, **Inmarsat** investors harbor skepticism about prospects for the new service. Concurrently, **Solaris** announced that the W2A satellite launched the prior month had experienced an anomaly in its S band payload. The company indicated that **Solaris's** ability to meet its regulatory obligations under the European Commission's grant would not be affected.

Telecom:

VOD firm **TVN, Inc.** and IPTV content aggregator and distributor **Avail Media** announced a merger combining their respective offerings. While the operational synergies are strong here, we also think that the more-gradual-than-expected ramp of independent IPTV operators helped drive **Avail** into **TVN's** arms. Continuing a trend towards rural telco consolidation, **Frontier Communications** agreed to acquire **Verizon's** rural operations in 14 states for \$5.5 billion in stock. Let's hope the integration goes more smoothly than **Fairpoint's** recent indigestion from a similar acquisition. In other M&A news, and perhaps a sign of the M&A environment as much as the attractiveness of long distance telecom, **Qwest** has terminated its attempt to sell its long distance business. According to published reports, the targeted \$2-3 billion price target was not close to being met, with rumors circulating of some offers being as low as \$1 billion or less.

On the consumer side of things, the wars are on. Just as the market was starting to get excited about **Palm's** rollout of its new Palm Pre device through **SprintNextel**, **Apple** almost immediately burst that bubble with the introduction of new iPhone products (including a \$99 alternative) via **AT&T**, that have once again attracted all the attention. The market still waits for rival **RIM** to launch a new Blackberry offering at **Verizon**, and it would seem that dissatisfaction with the quality of AT&T's network should create a competitive opening against the iPhone, especially for a device, like the Blackberry, with high customer loyalty and satisfaction.

Media:

All that cash and so few ideas... how about a new search engine to compete with **Google**? Surprisingly enough, **Microsoft's** recent rollout of "Bing" has been met with both positive reviews and strong traffic results. This may not be as much a concern for Google as it is for **Yahoo!**, whose search market share seems quite vulnerable. We shall see what if any impact Bing's launch will have on discussions between the two companies.

Hoyt Davidson
hoyt@nearearthllc.com
 (212) 551-7960

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

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

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

Ian Fichtenbaum
ian@nearearthllc.com
 (646) 290-7794

Internet Week in New York: patterns of transformation

...Internet Week brought with it a tremendous variety of new business ideas, open dialogue, and a level of energy that served as a reminder of the potential that still very much exists

... Entrepreneurs seem to have learned from those lessons of equity dilution, loss of control, and exit pressures... and are now treading more cautiously into venture capital territory

... [a trend] that should be welcome to the investment community, is an increased focus on revenue generation and the development of new platforms with very specific revenue-production orientation

For those of us who follow the media sector, and some of us who are New Yorkers in finance, the past week was an inspiring and refreshing change of pace on many levels. This was the time that the second annual Internet Week came to town, and brought with it its myriad of digital media entrepreneurs, venture capitalists and other investors, reporters and bloggers, and other parties of interest to fill out an enormous cast of attendees all around. This was a time to forget that the media sector has been challenged by reduced advertising budgets and consumer spending, that Wall Street has been stifled by record low transaction volumes and the disappearance of whole firms, and that venture capital is being eulogized while still living. Instead, Internet Week brought with it a tremendous variety of new business ideas, open dialogue, and a level of energy that served as a reminder of the potential that still very much exists. Some notable trends stood out:

- Judging from attendance at business plan competitions, meet-ups, and similar events, it does appear that entrepreneurship is on the rise. This stands to reason as traditional employment opportunities have dwindled. But there are other underlying currents as well. For example...
- The entry cost of new enterprise has declined – aided not only by the Internet and increased broadband infrastructure, but more recently by cloud computing and systems outsourcing – and done so in many cases by whole decimal places.
- Although the need for millions of dollars in Series A, B, and C rounds has not entirely gone away, particularly to pay for rapid expansion and in some cases infrastructure, the proof of concept stage all the way up to the revenue generation stage can now be more than adequately funded with hundreds of thousands... or less.
- Whether millions of dollars are in fact needed after the business model is proven and revenue has begun ramping up, this really depends on the platform and the market opportunity. In many historical cases, the money was taken in simply because it was there, but this should now be a less likely occurrence. Entrepreneurs seem to have learned from those lessons of equity dilution, loss of control, and exit pressures that may ultimately prove counterproductive, and are now treading more cautiously into venture capital territory.
- For venture capitalists, the above presents a new dilemma. On the one hand, VC's general appetite for new investment has been cut

Internet Week in New York (cont.)

... Revenue emphasis, tighter capital budgets, a lesser scramble for venture capital ... all these characteristics point to a possible maturation of the sector

by sub-standard returns, while, on the other hand, the entrepreneurial trends described could marginalize the VC function involuntarily. A number of Internet Week events, ranging from a “boot camp” at which prominent New York VCs sought to explain their perspective and investment rationale to a room full of entrepreneurs, to a variety of VC cocktail receptions around town, may be seen as an attempt by the venture community to remain front and center.

- Regardless, one of the very distinct business trends that manifest itself during the week’s events, and one that should be welcome to the investment community, is an increased focus on revenue generation and the development of new platforms with very specific revenue-production orientation. Whether in the form of technology licensing, software as a service, B2B offerings, lead generation, or advertising optimization platforms, such entrepreneurial endeavors are very different from the audience building emphasis of social networks and similar platforms for which revenue plays a secondary role to visibility.

[The sheer number] of novel ideas... speaks not only to the promising prospects of digital media as a sector, but to the potential emergence of New York as a center of industry evolution.

With the above in mind, a couple of concluding remarks. First, there does seem to be a transformation of sorts underway. Revenue emphasis, tighter capital budgets, a lesser scramble for venture capital as an end-goal or “badge of honor”, all these characteristics point to a possible maturation of the sector – not in the sense of business cycle but rather in terms of mindset – which can only be healthy. Secondly, it is worth commenting on the sheer number of novel ideas and entrepreneurs present at the week’s events. This quantitative aspect alone, without passing judgment on the merits of individual ideas, speaks not only to the promising prospects of digital media as a sector, but to the potential emergence of New York as a center of industry evolution. Having for a long time been in the shadow of San Francisco, we are hopeful and anxious to see the trend continue, both as New Yorkers and as active digital media industry participants.

By Dan Ramsden
Near Earth LLC

While the (over)use of the aforementioned term has made this author feel a little green himself, especially as the overall economy seems to be in a swan dive, within our focus area the term does not seem misused. Consider the following:

... In-Stat projects a need for 90,000 Gbps of backhaul capacity globally by year end 2013.

... when the going gets tough, the tough watch TV

... final demand for telecomm services remains robust – and that strong players with access to financing can grow

- While mobile handset sales seem stagnant, in a case of ingenuity driving sales many operators are cost effectively upgrading handsets through sim cards with built in capabilities such as A-GPS, accelerometers. At the same time, the lower costs of sim cards vs. handsets allows operators to offer more attractive service bundles while reducing Subscriber Acquisition Costs.
- Prepaid mobile providers like Leap/Cricket, Boost and many others are reaping a bonanza as cost conscience consumers (many with freshly lowered credit scores) seek the best value bundles.
- AT&T recently reaffirmed their capital expenditure budget at \$17-\$18 billion – ensuring a healthy revenue stream for a host of equipment, component and integration providers. In the process, they are doubling their use of high penetration 850 MHz spectrum, building 2100 new cell sites and upgrading backhaul.
- Speaking of backhaul, with smart phones driving a massive increase in data traffic (thank you Apple!), and with the transition from TDM to Ethernet underway, In-Stat projects a need for (are you sitting down?) 90,000 Gbps of backhaul capacity globally by year end 2013. No wonder Infonetics estimates backhaul equipment sales rose 19% in 2008, with continued growth projected out as far as the eye can see.
- Speaking of Apple, as noted last month the iPhone app store downloaded its one billionth app – no recession there!
- Our friends at DirecTV proved that when the going gets tough, the tough watch TV. Make that HiDef TV from a satellite dish. With a little help from our other friends at AT&T, DirecTV racked up 460,000 net new subscribers in the first quarter of 2009 – its strongest quarter in four years.
- And finally, the Fixed Satellite Services industry continued to prove that it is all but recession proof. Industry giants Intelsat, SES and Eutelsat all managed low single digit to low double digit revenue gains in Q1 of 2009 – and affirmed strong guidance for the balance of the year.

None of this is to deny that the overall economy, and part of telecomm as well are experiencing real pain. The common theme that runs through the facts I've layed out is that final demand for telecomm services remains robust – and that strong players with access to financing can grow in this environment. With lots of capital looking for a good home in these

Telecomm “Green Shoots”(cont.)

uncertain times, we do expect results like those above to attract it – with positive effects to be felt throughout the ecosystem and supply chain.

By John Stone
Near Earth LLC

Markets put geography on the map

If you're on the lookout for 'green shoots', economic or otherwise, it helps to have a bird's eye view of the globe to find it. As luck would have it, on May 14th, 2009, we got both a green shoot in the financial markets and a bird's eye in the sky. DigitalGlobe, the Colorado-based operator of imaging satellites and geospatial analysis solutions made its entry to the public markets with the fifth IPO of the year. From the financial markets' point of view, it was yet another step towards re-establishing a normal IPO market. From the satellite imaging sector's point of view, (indeed, for the entire geospatial industry), it is yet another sign that, where the financial markets are concerned, they've arrived.

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For public companies no less than individuals, one is too often the loneliest number – all the more so the case with DigitalGlobe's rival, Virginia-based GeoEye Inc. GeoEye has been public now almost three years and yet seemed like an orphan, the only traded commercial imaging satellite shop on the block. With two publicly traded competitors now, we can make comparisons. Both companies operate a set of high and medium resolution satellites, both are heavy clients of the US government (particularly the NGA), and both will have roughly the same revenues once GeoEye's GeoEye-1 is fully operational. Even though both have their significant differences, they are at the time of this article's writing both trading with an enterprise value at 3.6 times revenues and both at a PE ratio of around 15, decently bullish, perhaps owing to the strong government component to their revenues.

Comparisons aside, the real question for both companies is, as usual, what next? What are their eventual fates? Improving technology and greater demand for more detailed imagery and geospatial analysis will keep a going arms race of ever more powerful imaging satellites for some time – though only within limits that the US government (a customer of 70-80% of both GeoEye's and DigitalGlobe's revenues) allows. Moreover, neither is likely to overpower or acquire the other in the foreseeable future, (a la Sirius and XM in satellite radio), if only because it continues to be the US government's interest to maintain the balance of power between two competing viable commercial imagery sources. Acquiring another rival isn't likely in the cards either. While the rest of the commercial satellite imagery field is highly fragmented in both capability and scale, (operators Spot Image, ImageSat and RapidEye compete on low and medium resolution, while MDA Geospatial and infoterra offer radar sensing), almost all of these companies have a government participation that, similarly, makes acquisitions difficult. One needn't look farther than ATK's thwarted acquisition of MDA Geospatial for a case study of a government (in this instance Canadian) protecting its satellite imaging crown jewels. Cooperation is likely the way to go for the time being, with larger operators adding to capabilities in overlooked areas, such as ubiquitous low-

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Markets put geography on the map (cont.)

resolution coverage as well as continue to develop capabilities in aerial photography and intelligence.

Even as many barriers to entry persist, (i.e., high capital costs, government participation), the product (imagery) becomes more and more commoditized on the commercial end of the business. In addition to pictures from orbit we have pictures from aerial vehicles, floating balloons and dirigibles, travelling cars with street view cameras, as well as crowd-sourced data from millions of clicker-happy tourists. We haven't gotten to the point of real-time high resolution video of the Earth, and are likely still a ways from it, but already the gushes of data is making raw imagery less than scarce for most non-government purposes. As the product becomes less valuable, margins inevitably get squeezed. When that happens, where does the money get made? Just as the telecom satellite industry offers network and systems integration services to augment its transponder leasing business, imaging satellite operators offer geospatial processing, manipulation and interpretation services. In theory, this sounds like a recipe for vertical integration into high value services. In practice, much as in telecom, value-added services are often engineering and manpower heavy, while margin light.

... In practice, much as in telecom, value-added services are often engineering and manpower heavy, while margin light.

Even if the imagery business continues to avoid commoditization through innovation, it is unclear where, ultimately, the pivot of this industry lies. Both GeoEye and DigitalGlobe are decently sized firms, and bound to get larger, but for all intents and purposes, these are small cap companies. In scale and in commercial significance, they are overshadowed by the major players in GPS devices, such as Garmin, TomTom and Trimble, as well as by ESRI, one of the largest players in the GIS/Geospatial software. Certainly, even these are tiny compared to two of the most significant commercial customers, Microsoft and Google. Telematics, asset tracking, land management, and geospatial analysis are believed by many to be growth industries: any one of the large players, or others, may feel that the market needs a true end-to-end solution and proceed to roll up manufacturers, developers and service providers across the value chain, including the imagery providers.

... the idea that someone might seek to take control of a strategically important source of data (geographic or otherwise) is not out of the question

If it makes sense. Although many companies may feel that they'd best stay out of the business of operating satellites, the idea that someone might seek to take control of a strategically important source of data (geographic or otherwise) for commercial reasons is not out of the question, so long as it does not trample over national security concerns. The acquisition of NAVTEQ by Nokia and of TeleAtlas by TomTom vividly illustrated the extent that the GPS OEMs would go to assure access to the two primary repositories of digital road data. Could satellite imaging companies be subject to bidding wars on imagery assets just as the roadmap companies were? Perhaps. Then again, NAVTEQ and

Markets put geography on the map (cont.)

TeleAtlas's advantages were the millions of man-years put into painstakingly mapping, cataloging and updating every automobile-accessible crevice of western civilization. When up against that barrier to entry, the cost, effort and time to build, launch and operate a satellite almost seems like child's play.

... with a successful IPO under its belt and room for growth, DigitalGlobe has shown that even though it can't exactly photograph these dragons, it can certainly slay them

"*HC SVNT DRACONES*", or "Here be dragons" reads a famous 16th century globe, now on display in the New York Public Library. A pity that DigitalGlobe or any of its competitors were not around at the time – if so, they might well have captured beautiful high-resolution images of those dragons, bathing and sunning themselves in the tropical Pacific. The dragons of today are likely far less photogenic and might look more like widening credit spreads, toxic asset-backed securities, bank failures and other hazards of the financial world. Not to mention the dragons of limited M&A and the risk of commoditization. Regardless of future direction, with a successful IPO under its belt and room for growth, DigitalGlobe has shown that even though it can't exactly photograph these dragons, it can certainly shoot them down. Most would agree: those would be a sort of green shoots worth cheering for.

By Ian Fichtenbaum
Near Earth LLC

Conference Roundup: Space Business Forum 2009, New York

The Space Foundation, along with Toffler Associates, hosted the 2nd annual Space Business Forum in New York City. The single ball room format provided for a more intense and intimate one day experience which encouraged good audience participation and easy networking. The panels and featured speakers were also very engaging and covered well many topics of high current interest (see summary below). Special thanks to my co-master moderator Lon Levin.

Clearly, the speakers and moderators felt the space industry represented attractive investment opportunities both from the stability and recession resistivity offered by the more established aerospace and commercial satellite companies and the high potential growth of certain of the more promising new space entrepreneurial activities. The main challenge of this forum remains the difficulty of presenting “space” in a way that entices greater investment community interest and representation.

All in all, a very good Forum with an important mission: to bring space business leaders and investors together to further mutual understanding; to have entrepreneurs, astronauts and space tourists sit down with aerospace executives, government policy makers, and investors. To borrow a concept from the Obama Administration, to get away from “Old Space” versus “New Space”, and promote “Smart Space”.

- **Space in Today’s Global Economy:** Tom Hendricks, President of Aviation Week, reminded us of how large and global the space industry has become.
 - Revenues for 2008 reached \$257 billion, up from \$251 billion in 2007 a remarkable achievement in a difficult year, but slower growth than the 11% enjoyed in 2007. Continued growth is expected in 2009-2010.
 - Commercial satellite services and infrastructure make up 67% of total revenues with government space budgets representing 32%. Innovation and entrepreneurial activity remain high.
 - Commercial competition will only get more intense as Europe, Russia, China, India, Japan, South Korea and other new space faring nations join the party. For instance, over half of the 636 expendable launch vehicles projected over the next decade will be from Russia, Ukraine and China. On the civil space front, however, greater international collaboration is expected both for ISS and future lunar exploration.
 - The U.S. space industry employs more than 262,000 people and at pay scales roughly twice the national average, yet availability of trained engineers remains a key issue, especially for domestic talent.
- **Sector Performance, Trends, and Expectations:** Anita Antenucci, Managing Director at Houlihan Lokey, moderated this opening panel and was joined by Andy Africk, Senior Partner at Apollo Management, and Heidi Wood, Senior Equity Analyst – Aerospace at Morgan Stanley. Key insights included:

Conference Roundup (cont.)

- Aerospace industry stock and bond performance held up better than the general market during the downturn, but is likewise enjoying less of a pop in the post March recovery.
 - Commercial satellite companies were taken down with the rest of the market, but have actually shown superior revenue and profitability. Those with strong backlog (FSS) and loyal customers (DBS/DTH) are showing good recession resistivity and sound business models. MSS is the next sector to need to prove its business models to investors and will be a focus of 2009/2010 with Iridium, Globstar, ICO, SkyTerra and TerreStar all facing major financing or operational events.
 - The panel shared a feeling that the public equity investor base was still less sophisticated in terms of risk reward analyses for the space industry than debt investors. More education and perhaps more equity successes will be needed to truly open up the public equity markets.
 - Part of the equity problem is that some commercial satellite companies went public too soon, before they really had stable or well understood business plans and sufficiently predictable earnings.
 - Funding “New Space” will remain difficult until revenue generation becomes more clear and predictable. Long negative cash flow periods are a major obstacle to funding in weaker economic cycles like now.
 - Some cautiousness over future prospects for aerospace/defense industry as military budgets may get hit or at least restructured.
- **Space as an Element of Economic Infrastructure**: Steven Kenney, a Partner at Toffler Associates, led this discussion and reminded us the space industry is increasingly part of the larger terrestrial telecom, media, weather and security industries providing critical infrastructure and services as part of often hybrid global networks. Major points included:
 - Richard Sanford, Chief Strategist, Global Government Solutions Group – Cisco, discussed the future of satellite telecomm.
 - He believes that with development of new satellite technologies utilization of space by consumers will be just another economic decision versus a last resort. High throughput satellite broadband technologies were mentioned as an example.
 - Mr. Sanford particularly believes the need to eliminate the last mile barrier will provide a large market for space companies as laying fiber to the user will remain too expensive for many markets.
 - In ten years or so, he also sees intra and inter-linked satellite constellations and small satellites operated in networked and reprogrammable fashions to provide more flexible services.
 - Edward Morris, Executive Director of Strategic Business Development, ITT Space Systems, focused on the tremendous contribution made to the global economy by GPS.

Conference Roundup (cont.)

- GPS is responsible for billions in productivity gains and the enabling of whole new economic activities like automotive navigation and handheld positioning devices.
 - Mr. Morris also discussed GPS 2.0 with its promised four civil signals and the U.S. Air Force's commitment to continued high quality 24x7 service (despite recent rumors of gaps).
 - Lastly, he reminded us GPS is not just about positioning, but also provides timing signals from atomic clocks which will increasingly enable synchronization of actions in a growing M2M industry.
- Richard Buenneke, Deputy Director for Space Policy, U.S. Department of State, was the last speaker on this panel.
 - He stated that the new Administration had started policy reviews in several areas involving space, but clearly understands the vital nature of space infrastructure to our economy and security. Our embassies, for instance, rely on commercial satellites for much of their communications. DHS is tasked with protecting our domestic satellite infrastructure in a partnership with DOD. Protection of space infrastructure is an agenda item for bilateral talks with our allies and using satellites to expand prosperity to the "global village" is also part of our future diplomatic efforts.
 - Mr. Buenneke also discussed the growing importance of space situational awareness given increased crowding and the space debris problem. The U.S. Air Force has recently expanded the number of objects they track and intends to notify commercial and non-U.S. satellite operators of potential collisions.
 - Lastly, he discussed ongoing efforts by ISO working groups to develop global standards for space communications and operations which should benefit everyone.
- **Featured Speaker - Thomas Pickens III, CEO, Astrotech Corporation:**

Mr. Pickens gave a brief summary of the newly restructured and renamed SpaceHAB, now doing business as Astrotech and trading under the ticker ASTC. However, the focus of the talk was on their Astrogenetix subsidiary.

 - Mr. Pickens and his team at Astrogenetix have studied over 2,000 space manufacturing experiments to determine what works and does not work and what activities have the greatest chance of profitability.
 - NASA has been focused on completing ISS before retiring shuttle fleet and has therefore pushed micro-gravity research to the side. Astrogenetix had special access and knowledge given SpaceHAB's heritage and was named an ISS National Lab Pathfinder business.
 - Decision was to focus on things like discovering biomarkers for vaccine development which rely on microbe growth. Apparently, microbes grow virulently in space due to better cell diffusion. Mr. Pickens stated that a vaccine that might cost \$100 million to develop on Earth could cost only

Conference Roundup (cont.)

\$30 million if developed on ISS and perhaps even less on another platform with less red tape and astronaut handling requirements. The salmonella vaccine was chosen as the first target. Some vaccines could have billion dollar markets. Protein crystal growth is another promising market.

- Barriers to entry include fact that bureaucracy involved in getting experiments flown is daunting (e.g. 7,000 pages just to stay on the shuttle) and the general reluctance of pharmaceutical companies to engage in new and riskier drug development technologies.
- Mr. Pickens believes ability to utilize sub-orbital systems for R&D mostly limited to shorter term experiments like metallurgy.
- **New Space Comes of Age:** Joseph Fuller, CEO of Futron Corporation, moderated a panel on “new space” including representatives from SpaceX, XCOR and Virgin Galactic, all of whom brought entertaining video clips and slides. He reminded us that new space is not just space tourism, but includes activities that both NASA and DOD are supporting. The general consensus was that entrepreneurs were doing things the existing aerospace community was not well equipped to lead, but that the best outcome would be one of collaboration versus hostility. There was also consensus that space tourism was not new space’s only “trick pony”. Expanding sub-orbital space tourism flights to handle other missions and eventually orbital services was an ambition of all three panelists in addition to potential terrestrial point-to-point flight services.
 - Gwynne Shotwell, CEO of SpaceX, brought the audience up to speed on the Falcon I success to date and the status of the Falcon 9 development. She hopes to get two Falcon 9 launches done this year and highlighted a 29 mission, \$2 billion backlog, mostly COTS use of Dragonlab for ISS supply missions. Clearly COTS is doing what it was intended to do and I hope NASA uses this success to create additional COTS style programs for other commercial space activities (Hint to NASA: lunar cargo supply missions). Ms. Shotwell also offered to give tours to anyone visiting the Los Angeles region. Gwynne, I may take you up on that one.
 - Andrew Nelson, COO of XCOR, gave a very persuasive talk centered on debunking many cherished “myths” about space development. For instance, XCOR’s development and flight testing of its piston-pumped “green thrusters” Lynx vehicle, with as many as seven take-offs and landings in one day, has proven that not all rocket-based vehicles require government funding. XCOR is focused on jet like operations for space tourism and other sub-orbital applications with a projected 2014 market size of \$7.5 billion.
 - Patricia Grace Smith, Former FAA Associate Administrator for Commercial Space Transportation and Virgin Galactic Consultant (and longstanding industry champion), reminded us that it was Burt Rutan and the original X-prize winners that truly launched space tourism into the realm of plausibility and the support of Virgin Galactic that added much needed respectability and capital. Ms. Smith stated that SpaceShip 2 was

Conference Roundup (cont.)

75% complete and was expected to roll-out this Fall and it has one mother of a mother ship.

- **The Business of Space Tourism:** Richard Garriott, famed video game developer and private space explorer, interviewed by Tom Shelley, VP Marketing of Space Adventures Ltd. Mr. Garriott gave a very engaging travel log of his recent Soyuz trip to ISS. Three major lessons learned: (1) going to space is way cool and addicting (best experience of his life, he wants to go back, but not at \$30 million a pop), (2) the Russians are now better capitalists than Americans and (3) if you spend some time you can find companies willing to pay you to conduct experiments in space, although for millions versus tens of millions of dollars. Mr. Garriott is convinced companies like SpaceX, XCOR, Virgin Galactic, Armadillo and Blue Origins will be wildly successful and substantially lower the cost per pound of access to low Earth orbit in his life time. He thus believes strongly that the amount of money you can generate by working in space will in the near future exceed to cost of getting to space. In his mind, “new space” can not be stopped. It will happen. Many in the audience were still skeptical of the time frame for these cost improvements in launch given the slow pace of chemical rocket-based propulsion advancements historically. In short, Mr. Garriott is the epitome of the space enthusiast having spent much of his video game fortune on a series of space ventures and now personal space flight and his enthusiasm and optimism are quite contagious, other than perhaps to those immunized in the school of hard knocks.
- **View from the Publicly Traded:** John Higginbotham, CEO of Integral Systems, Inc. Mr. Higginbotham shared with the audience his impressions to date of running a public space company after having managed SpaceVest, a leading venture capital / private equity firm.
 - He thought Sarbanes-Oxley and normal regulatory compliance were a piece of cake (just be honest). What gets you, he said, are the unseen regulatory requirements. He was also critical of accounting rules for employee option expensing, which hurts innovative growth companies. The short-term public investor focus on earnings was another known if unfortunate issue, but more worrisome was an unfair litigation environment that favors the plaintiff, frequently costing public companies hundreds of thousands of dollars to fight frivolous lawsuits. In short, he has made the transition from private to public, and while bemoaning the extra cost, work and risk inherent in being public is focused on growing Integral Systems and creating shareholder value.
 - As for the general public equity market for space companies, he believes that aerospace/defense is well accepted, the commercial space industry is now viewed as real and that there are in fact a growing number of sophisticated long-term public investors. Mr. Higginbotham also believes we are moving into a third wave of globalization. As for the “new space” versus “old space” debate, he doesn’t buy it. In his view, there are real companies like SpaceX that happen to be at an earlier stage and more

Conference Roundup (cont.)

mature companies like Integral Systems that are ready to be public. It's a case of development stage, not a new versus old mind set.

- **Government Acquisition – Where Are Dollars Flowing for Space?:** Kenneth Gordon, CEO of Antelum Capital Partners moderated this panel on expectations in space acquisition from the new Obama Administration. The panel included representatives from the major players and space budget entities, including the Air Force, NASA, NOAA and FAA. In order of decreasing budget:
 - Gary Payton, Deputy Under Secretary of the Air Force for Space Programs confirmed that DOD's acquisition policies were under review. We may see an increase in fixed price contracting, but he does not see a near term decrease in the overall space budget despite the cancellation of TSat. GPS 2.0 will be funded as will increased space situational awareness. He also confirmed an increased interest in small satellite applications and said the first Operationally Responsive Space mission got funded to support a request from a regional commander. More to follow.
 - Alan Ladwig, Senior Advisor, NASA, said that many key decisions would be under review for awhile as the new Administrator went through confirmation and the new team came on board. NASA's budget has a one time boost from the Stimulus package and then flattens out, so difficult choices will have to be made. He suspects NASA will have a continued interest in supporting commercial participation in civil space activities as with the COTS program. International cooperation will also increase.
 - Maureen Wylie, CFO of NOAA, discussed her agencies focus on getting GOES-R up and the difficulties with the NPOESS program. Perhaps luckily for the commercial sector, the cost challenges with these main NOAA programs has created a need and willingness to work with commercial suppliers of atmospheric, oceanic and weather data. She summarized a long list of data NOAA needed following their decadal review, such as GPS radio occultation measurements for more accurate weather prediction.
 - Ken Davidian, EFP Program Lead, FAA Office of Commercial Space Transportation, has a much smaller space budget than his peers on the panel, but certainly the FAA is a key player. Mr Davidian seems to be following in the same tradition of Ms. Smith and should be a supporter and asset to the industry. He focused much of his remarks on the FAA's new drive to create more accurate predictions of the launch service market, which given its increasing complexity, we wish him luck.

In conclusion, unlike Mr. Garriot, I do not believe the brilliant space future that is often envisioned is unstoppable and inevitable, and certainly not so in our life times. Space is expensive and difficult and involves an allocation of resources away from other pressing needs with benefits often intangible or distant in their realization. The future of space will instead depend on the hard work, dedication and financial resources of a vast number of people and entities, many of whom are not yet even engaged. A small

Conference Roundup (cont.)

number of wealthy enthusiasts can be applauded for jump starting our imaginations again and pointing us along the next leg of our journey into space, but if we are going to accomplish everything we can and should do in space, we are going to need numerous and deep new pockets of financing. Government funding alone has proven fickle and insufficient, even if it does continue to provide the backbone for our national security requirements and most civil space exploration. New technologies and business models need to be privately financed to make space activity more cost effective and bring us more powerful space infrastructure and services and more affordable access. Innovative new ways also need to be explored to leverage the support of governments to unleash the creative energies of an enthusiastic even passionate private sector. I hope these issues are the focus of future Space Business Forums.

By Hoyt Davidson
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:			
		6/8/09	Market Value of Equity	Enterprise Value (a)	LTM Sales	LTM EBITDA	LTM EBIT	LTM EPS	Trailing EPS (b)	Forward EPS (b)
Satellite Broadcast (DBS and DARS)										
BSY.L	British Sky Broadcasting (f)	£ 4.59	\$12,920.49	\$16,363.00	1.9x	9.1x	12.1x	28.3x	27.9x	22.8x
DISH	Dish Network Corp	\$ 16.10	\$7,203.14	\$11,167.64	1.0x	3.6x	5.3x	7.5x	6.7x	7.1x
DTV	DirecTV Group Inc.	\$ 22.75	\$23,300.10	\$27,336.10	1.4x	5.6x	11.1x	17.3x	15.7x	10.9x
SIRI	Sirius XM Radio	\$ 0.35	\$1,267.16	\$4,221.91	2.1x	32.6x	n/m	n/m	n/m	n/m
	Mean				1.6x	12.7x	9.5x	17.7x	16.8x	13.6x
Cable Television										
CMCSA	Comcast Corporation	\$ 14.35	\$41,337.18	\$71,728.18	2.1x	5.2x	9.7x	14.6x	13.9x	12.5x
MCCC	Mediacom Communications Corp.	\$ 5.99	\$567.79	\$3,915.38	2.8x	7.6x	13.5x	n/m	10.3x	9.1x
TWC	Time Warner Cable Inc.	\$ 32.25	\$10,502.54	\$33,564.54	1.9x	5.3x	10.4x	4.6x	10.9x	9.2x
CVC	Cablevision Systems Corp	\$ 18.74	\$5,568.22	\$17,512.07	2.4x	9.1x	22.1x	n/m	19.5x	13.7x
	Mean				2.3x	6.8x	13.9x	9.6x	13.7x	11.1x
Television										
TVL	LIN TV Corp.	\$ 1.99	\$102.35	\$773.01	2.0x	5.8x	9.8x	n/m	9.5x	3.9x
SBGI	Sinclair Broadcast Group	\$ 2.00	\$162.00	\$1,493.79	2.1x	5.0x	10.1x	6.4x	n/m	7.7x
FSCI	Fisher Communications Inc	\$ 12.27	\$107.24	\$171.22	1.0x	5.4x	n/m	1.2x	n/m	n/a
	Mean				1.7x	5.4x	9.9x	3.8x	9.5x	5.8x
Radio										
CMLS	Cumulus Media Inc.	\$ 1.13	\$46.78	\$684.14	2.3x	8.7x	10.3x	n/m	7.5x	n/a
ETM	Entercom Communications	\$ 2.00	\$75.72	\$883.28	2.1x	7.1x	8.4x	4.3x	1.8x	1.6x
	Mean				2.2x	7.9x	9.4x	4.3x	4.7x	1.6x
NewsPrint										
MNI	The McClatchy Company	\$ 0.77	\$63.57	\$2,096.35	1.2x	6.7x	12.3x	n/m	n/m	n/m
NYT	New York Times	\$ 6.34	\$911.69	\$2,177.69	0.8x	9.1x	21.5x	n/m	n/m	n/m
WPO	Washington Post	\$ 353.62	\$3,313.42	\$3,131.22	0.7x	5.6x	12.5x	39.4x	33.2x	13.3x
	Mean				0.9x	7.1x	15.4x	39.4x	33.2x	13.3x
New Media										
MSFT	Microsoft Corporation	\$ 22.05	\$196,002.45	\$172,661.45	2.8x	7.0x	7.7x	10.9x	12.9x	12.2x
AAPL	Apple Inc.	\$ 143.85	\$128,085.48	\$103,072.48	3.1x	14.2x	15.6x	25.8x	26.2x	23.0x
YHOO	Yahoo! Inc.	\$ 16.19	\$22,529.36	\$19,102.87	2.7x	14.0x	33.2x	n/m	n/m	38.5x
GOOG	Google Inc.	\$ 438.77	\$137,299.91	\$119,514.98	5.4x	16.1x	18.0x	33.3x	20.9x	18.3x
IACI	Interactive Corporation	\$ 16.21	\$2,279.29	\$365.81	0.3x	8.6x	n/m	19.2x	n/m	26.1x
ERTS	Electronic Arts Inc.	\$ 22.17	\$7,113.91	\$4,593.91	1.1x	n/m	n/m	n/m	23.1x	17.2x
	Mean				2.6x	12.0x	18.6x	22.3x	20.8x	22.6x
Satellite Imagery										
GEOY	GeoEye	\$ 21.91	\$406.65	\$558.64	3.6x	14.9x	26.6x	15.0x	21.1x	15.2x
DGI	DigitalGlobe Inc.	\$ 18.19	\$790.54	\$999.14	3.6x	5.8x	11.2x	15.7x	24.6x	23.9x
	Mean				3.6x	10.3x	18.9x	15.4x	22.8x	19.6x

MEDIA SERVICES INDEX

High	5.4x	32.6x	33.2x	39.4x	33.2x	38.5x
Mean	1.9x	8.2x	12.2x	13.5x	14.3x	13.0x
Low	0.3x	3.6x	5.3x	1.2x	1.8x	1.6x

(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 1.3895 US \$ per Euro.

n/a Not Available

(d) Converted to US \$ from C\$ at an exchange rate of 0.8975 US \$ per C\$.

(f) Converted to US \$ from British Pound at an exchange rate of 1.6049 US \$ per British Pound.

Member of NEAR EARTH SATELLITE INDEX

NEAR EARTH ANALYSIS: MARKET COMPARABLES

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:			
	6/8/09	Market Value of Equity	Enterprise Value (a)	LTM Sales	LTM EBITDA	LTM EBIT	LTM EPS	Trailing EPS (b)	Forward EPS (b)	
Satellite Capacity										
ETL.PA	Eutelsat Communications (c)	€ 17.72	\$5,407.96	\$8,849.55	7.0x	8.7x	20.1x	31.0x	25.9x	23.4x
SESG.PA	SES Global S.A. (c)	€ 13.40	\$7,439.94	\$12,281.23	5.3x	7.8x	13.6x	13.8x	16.2x	15.1x
ISAT.L	Inmarsat (f)	£ 5.19	\$3,823.54	\$5,312.14	5.3x	10.0x	16.8x	10.8x	21.9x	16.9x
			Mean	5.9x	8.8x	16.8x	18.5x	21.3x	18.5x	
Satellite Ground Segment										
CMTL	Comtech Telecommunications	\$ 30.46	\$755.71	\$628.16	1.0x	5.5x	5.5x	9.7x	17.6x	15.3x
GCOM	Globecom Systems Inc.	\$ 6.68	\$137.47	\$93.33	0.5x	7.6x	13.7x	19.6x	39.3x	20.9x
GILT	Gilat Satellite Networks	\$ 3.53	\$140.85	\$48.23	0.2x	3.7x	n/m	n/m	n/m	n/a
HUGH	Hughes Communications, Inc.	\$ 24.23	\$521.19	\$914.58	0.9x	6.9x	14.4x	n/m	n/m	11.1x
ISYS	Integral Systems Inc.	\$ 8.32	\$143.52	\$138.00	0.8x	5.7x	6.6x	10.4x	19.3x	15.1x
VSAT	ViaSat Inc.	\$ 26.21	\$811.20	\$747.71	1.2x	10.4x	16.9x	21.2x	15.2x	13.7x
			Mean	0.8x	6.6x	11.4x	15.2x	22.9x	15.2x	
Satellite Space Segment										
ORB	Orbital Sciences	\$ 16.42	\$944.15	\$736.23	0.6x	7.8x	9.8x	17.3x	23.1x	15.1x
CDV.TO	COM DEV International (d)	\$ 3.20	\$195.99	\$213.61	1.1x	8.4x	13.5x	14.2x	n/a	n/a
MDA.TO	McDonald Dettwiler and Associates (d)	\$ 27.33	\$1,103.59	\$1,484.37	1.4x	8.7x	11.1x	17.5x	n/a	n/a
OHB.DE	OHB Technologies (c)	€ 8.94	\$184.59	\$112.88	0.3x	3.3x	4.2x	14.8x	16.6x	14.4x
			Mean	0.9x	7.1x	9.6x	15.9x	19.8x	14.8x	
Towers										
AMT	American Tower	\$ 29.71	\$11,794.28	\$15,822.81	9.8x	15.4x	25.4x	n/m	n/m	34.1x
CCI	Crown Castle	\$ 22.42	\$6,467.27	\$12,674.60	8.1x	14.6x	37.2x	n/m	n/m	n/m
SBAC	SBA Communications	\$ 23.92	\$2,811.32	\$5,075.44	10.1x	18.3x	n/m	n/m	n/m	n/m
			Mean	9.3x	16.1x	31.3x	n/m	n/m	34.1x	
General Telecom										
S	Sprint Nextel Corporation	\$ 4.96	\$14,170.72	\$31,255.72	0.9x	4.2x	n/m	n/m	n/m	n/m
T	AT&T	\$ 24.40	\$143,789.44	\$214,731.44	1.7x	5.0x	9.2x	11.2x	11.8x	11.0x
VZ	Verizon Communications, Inc.	\$ 29.28	\$83,170.43	\$186,655.43	1.9x	5.5x	10.6x	12.5x	11.6x	11.0x
			Mean	1.5x	4.9x	9.9x	11.8x	11.7x	11.0x	
TELECOM SERVICES INDEX (excludes Towers stocks)										
	High	7.0x	10.4x	20.1x	31.0x	39.3x	23.4x			
	Mean	1.6x	5.8x	11.1x	15.7x	19.9x	14.1x			
	Low	0.2x	3.3x	4.2x	9.7x	11.6x	11.0x			

(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 1.3895 US \$ per Euro.

(d) Converted to US \$ from C\$ at an exchange rate of 0.8975 US \$ per C\$.

(f) Converted to US \$ from British Pound at an exchange rate of 1.6049 US \$ per British Pound.

n/m Not Meaningful.

n/a Not Available

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)	199.0	199.0	5.8x	7.9x	
				Mean	6.3x	10.4x	
Ground Equipment & Systems Integrators							
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	Naveq	7,719.0	8,100.0	8.8x	29.5x	
05/09/09	Rockwell Collins	Datapath	130.0	130.0	0.5x	n/d	
06/01/09	Globecomm Systems	Telaurus Communications LLC	6.5	6.5	0.5x	n/d	
				Mean	2.3x	16.1x	
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							
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	
03/12/09	Harmonic	Scopus Video Networks	78.3	47.6	0.8x	n/m	
				Mean	2.1x	17.6x	
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	11.8x	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							
07/29/08	Sirius Satellite Radio Inc.	XM Satellite Radio Holdings Inc.	2,301.7	3,957.7	3.4x	n/m	
07/30/08	Bain Capital	Clear Channel	17,923.8	23,724.1	3.5x	10.8x	
05/29/09	Cox Enterprises, Inc	Cox Radio	381.5	704.3	1.8x	6.2x	
				Mean	2.9x	8.5x	
New Media							
03/15/07	Cisco	WebEx	2,900.0	2,900.0	7.6x	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	
03/11/08	Google	DoubleClick	3,100.0	3,100.0	10.3x	62.0x	
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	
07/02/08	Hellman & Friedman LLC	Getty Images Inc.	2,028.1	1,977.1	2.3x	7.0x	
03/05/09	Barnes and Noble	Fictionwise	15.7	15.7	8.7x	n/d	
				Mean	5.8x	27.0x	

(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) 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.

n/d Not Disclosed

n/m Not Meaningful

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.

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

Headquarters
380 Lexington Avenue, 17th Floor
New York, NY 10168
Telephone (212) 551-7960

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