

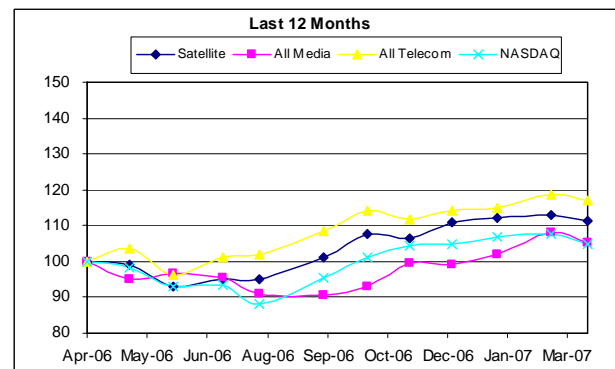
# FROM THE GROUND UP

March 2007

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## Near Earth Market Indices



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## THE WAY WE SEE IT...

### Satellite:

**Loral** completed a \$300 million preferred stock offering placed to its largest shareholder, MHR Capital Partners. The deal is facing significant criticism from several of the other shareholders who are unhappy with the dilution and other issues. At least three lawsuits have been filed to block or modify the deal.

### Media/New Media:

**News Corp.** and **NBC Universal** announced the formation of a joint venture to create an online video site to rival **YouTube**. Unlike YouTube, however, the new venture will also allow viewers to access online content on AOL, MSN, MySpace, and Yahoo sites, (i.e., each of YouTube parent, **Google's**, major rivals).

**Apple** is set to unveil its new AppleTV device, which would allow users to send content from their PCs to a television set. Should Apple launch this new video product with anywhere close to the same impact as its iTunes/iPod introduction to the music sector, the product may change the way consumers access and pay for content.

**Slacker Inc.** has announced a new Internet radio service boasting a proprietary consumer application based on wireless technology, combining satellite radio with 10,000 custom-music channels. Against the backdrop of Internet radio and other sector uncertainties (see related [Current Spot-Beam](#) and [Guest Corner](#) articles), one would have least expected to encounter a new Internet radio rollout, but according to published reports Slacker is able to circumvent the Internet radio royalty conundrum by having struck direct deals with music labels, and the company plans to lease transponder capacity at substantially lower cost than operating its own satellite.

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## As the music industry dust unsettles...

At the time that this is being written, the Wall Street Journal had just declared that “in a dramatic acceleration of the seven-year sales decline that has battered the music industry, compact-disc sales for the first three months of this year plunged 20% from a year earlier.” Such news coming on the heels of what had been other major industry developments – the substantially increased royalty rates for Internet radio operators, the announced but uncertain merger of XM and Sirius Satellite Radio, and the lack of finality to the Clear Channel going-private deal – leads us to wonder if and how any of these events relate to each other and, more importantly, to the industry taken as a whole. Here are a few recurring themes and some initial thoughts:

Brand values have been diluted to a degree that even in the aggregate industry economics may suffer.

Abundant supply. According to executives interviewed for the referenced article “CDs have become little more than advertisements for more lucrative goods like concert tickets and T-shirts.” One wonders if the millions of songs performed by almost as many artists and produced by thousands of labels, distributed digitally or otherwise over almost as many outlets, contributes to an environment in which – not only very few profit, but what’s worse – brand values are diluted to a degree that even in the aggregate industry economics suffer. “This year has already seen the two lowest-selling No.1 albums since Nielsen SoundScan, which tracks music sales, was launched in 1991,” according to the same article.

Does the music industry need services such as Internet radio to help reverse its slide?

Imprecise value proposition. As the Internet radio industry prepares its case against the per-play royalty structure recently implemented by the Copyright Royalty Board, which according to many observers could shut down Internet radio as we know it, it is likely that the promotional benefits of this medium to the recorded music industry will feature prominently. It will be interesting to see which side of the double-edged argument eventually takes hold: Does the music industry need services such as Internet radio to help reverse its substantial slide? Or do highly customizable (and free of charge) services like Pandora take away from the music industry’s revenue opportunity? While sound business practice would probably not favor near-term revenue relief at the expense of shutting down a major long-term PR machine, the precise tradeoff may be difficult to quantify. The relative proportion of Internet radio outlets that indeed enhance music purchases (and the degree of their effectiveness) may be an imprecise estimate, while, unfortunately, the significant drop in music purchases (that maybe just by coincidence matches the advent of alternative delivery mechanisms such as Internet radio), is well documented. In either case, however, the decision is not so much binary as one of establishing an appropriate royalty rate to reflect a balanced assessment of all factors. It will also be interesting to observe the precedent-setting quality (if any) of this decision upon other audio media (e.g., satellite and for that matter even terrestrial radio).

Should the Internet Radio threat become lessened by copyright developments, the argument used by XM and Sirius could be weakened.

Unsettled competition. The fate of Internet radio cannot be lost upon the factions currently proposing, opposing, or assessing the soundness of the XM/Sirius combination. The companies have often cited the emergence of digital music distribution (via wireless broadband connections to handheld devices) as a defensive motive behind the proposed transaction, and Internet radio is undoubtedly a big part of this threat. With wireless broadband access to laptops and now also cell phones, listening to one’s favorite Internet radio station “on the go” is a reality. Should this threat become lessened by copyright developments described above, the argument used by XM and Sirius could be weakened. And

## ***The Current Spot-Beam (cont.)***

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as the two companies apart would constitute a less formidable competitor than together, (while Internet radio is also set back in this hypothetical scenario), one cannot help but wonder about the traditional radio community and its role in these events, watching the urgency of the extensively planned, expensive, and complicated HD rollout (forced upon these operators by excessive competition) diminish by the day.

The current state of the music industry may be a case study to test the scenario in which excessive competition can potentially be unhealthy.

Variety of unknowns. And speaking of traditional radio...the postponed shareholder vote of Clear Channel's pending buyout may be a sign of many things, none of which seem to be that the deal as proposed is ready to happen soon. Perhaps the extra time will allow for a new deal to emerge and for further negotiations to happen, but perhaps as importantly, the extra time will offer greater clarity on the competitive environment and the fates of its varied participants. One has to assume that the radio operator's competitive analysis, as well as the impact thereof on growth projections in support of valuation, are likely incomplete and even bordering on speculative in the present dynamic. One may also wonder to what extent Clear Channel's announced strategy to streamline its portfolio of properties, focusing on major markets, would also be impacted by the competitive unknowns yet to be settled.

In the depicted situations one senses a recurring motif, a sort of underlying tension, between highly fragmented competition on one hand and, on the other, sweeping consolidation, simplification, and industry organization. Whether it is the proposed satellite radio merger, the repositioning of pieces within the traditional radio landscape, or the prohibitive Internet radio royalties that threaten to shake up an entire segment, there does seem to be a push towards diminished numbers and an easier to navigate business climate. This push is naturally countered by competitive interests, and it remains to be seen which of the two forces will prevail. With the conventional wisdom being that more competition is better than less, the current state of the music industry may be a noteworthy case study to test the extreme scenario, in which excessive competition can potentially be unhealthy. After the dust does settle, though we may even see a further increase in the number of consumer alternatives, we would not be surprised to see a significantly smaller number of competitors in the market... much like the way it used to be, you know, way back in the day, like, four or five years ago.

By Dan Ramsden  
Near Earth LLC

### **WiMax and VoIP... similarities?**

Following its recent lackluster IPO (ClearWire has fallen about 20%, as of this writing, from its IPO price of \$25), it's tempting to compare WiMax service providers such as ClearWire with companies represented by previously fallen IPO stars, such as, say, Vonage (which has lost over 75% of its value since its debut). After all, both types of service are retail telecom oriented, relying on a subscription model, both are fierce burners of cash, both value cases require real paradigm shifts in consumer behavior, and in the cases of the specific companies mentioned, both had high profile IPOs for about half a billion dollars. We think, however, that important fundamental differences between the two business models warrant very different analyses.

It's tempting to compare WiMax service providers such as ClearWire with VoIP business models like IPO fallen star Vonage.

To take the example of Vonage, only as a way to generalize for its broader sector, the company has performed similarly to many other non-facilities based service companies. With the exception of Virgin Mobile, the Mobile Virtual Network Operators (MVNOs) have often been the subject of considerable investor disdain, following in the shoes of non-facilities based CLECs, long distance resellers, and similar telecom "bubble" products. (To be fair, Vonage does own some components of its network, but still largely relies on others to carry its traffic.) With this dependence on third party networks, Vonage and similar competitors are in the situation of paying ~60% of revenues from each customer to the owners of those networks, which can limit financial flexibility and the benefits of growth.

The real issue though, from our perspective, is that at the end of the day non-facilities based operators are only as strong as their customer relationships, which in turn reflect a combination of loyalty (carrot) and switching costs (stick). Like its competitors, Vonage is trying to form bundling arrangements with other service providers to deepen these customer relationships, most notably Earthlink. However, if investors ever start to feel that customer relationships could be at risk (or, alternatively, that the service offered is fungible), then they may soon conclude (as they had done with other telecom "resellers" before) that there "isn't a lot of there, there." It certainly doesn't help when it is official government policy (through number portability) to lower those switching costs. (Additionally, VoIP in general also suffers (fairly or not) from some quality perception issues, though over time these are becoming less prominent.)

ClearWire offers investors substantial comfort through the durability of its assets, and so a repeat of the Vonage debacle is quite remote.

While WiMax faces many of the same issues (broadband is, after all, becoming increasingly a commodity), its VoIP offerings are inherently a double play (bundled with broadband connectivity), vs. pure VoIP providers' single play service. This can make the offerings of ClearWire and similar companies stickier, and with higher ARPU makes their customers more valuable.

More importantly, ClearWire and similar WiMax business models have a lot more than customer relationships to cite on the asset side of balance sheets. There is owned infrastructure, and, probably the most important asset of all, there is licensed spectrum – the value of which has been validated in recent spectrum auctions that attracted some of the telecom sector's deepest pockets (27 billion mHz-POPs of spectrum fetched \$14.7 billion). Such assets for ClearWire but also

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

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many other WiMax projects represent inherent barriers to entry that the likes of Vonage and other VoIP resellers would clearly have benefited from. As a downside mitigant, therefore, there is an asset value that underpins at least a portion of invested capital.

So, while the business model for WiMax broadband offerings is far from proven, and (using ClearWire as a proxy for the overall sector) the stock performance out of the gate is shaky, we think ClearWire and similar WiMax initiatives may offer those investors wanting to participate in the growth of wireless broadband services substantial comfort through the durability of an asset base versus comparable non-facilities based telecom services like many VoIP providers.

By John Stone  
Near Earth LLC

### Copyright law and the CRB: What went wrong?

Given the ruinous rates and terms laid down by the Copyright Royalty Board last week, it might be useful to take a few steps backward and look at how Internet radio has arrived at this potentially fatal situation.

Copyright laws grant authors limited rights in a way that Congress believes encourages the creation and dissemination of their works

About the purpose of copyright law, Stanford Law professor and copyright expert Lawrence Lessig writes, "Copyright has never accorded the copyright owner complete control over all possible uses of his work. Its purpose instead is to secure a limited monopoly over certain ways in which creative works are exploited, so as to give the authors (i.e., composers and performers) an incentive to create, and thus, in turn, to 'promote the Progress of Science'." In fact, it's beyond argument today that the U.S. copyright laws recognize no absolute right in authors to prevent others from copying or exploiting their work. Rather, copyright laws grant authors limited rights in a way that Congress believes encourages the creation and dissemination of their works. In the long term, authors' intents and interests have always been secondary to that of the public. In the field of music, the intent of Congress to encourage the creation and dissemination of works is based on the same principles. Congress has wanted to insure that composers have an incentive to keep composing and performers have an incentive to keep performing, but also that third parties (i.e., those individuals and companies that disseminate works to the public in new forms (e.g., Internet radio) would have an incentive to keep innovating – in each case, remember, primarily not for those individuals' own good, but rather for the good of the public.

In each case the law has not been primarily for individuals' own good, but rather for the good of the public.

So, to that end, Congress over the past decades has seen fit to grant composers and performers a certain limited number of monopoly rights. Not unlimited rights, mind you, but enough to motivate them to keep composing and performing. For example, in the case of composers, one of the monopolies that Congress granted was a monopoly for a certain period of time to decide who could record their compositions, (specifically, the first person permitted to do this). However, Congress did not grant composers any additional monopoly rights in this regard thereafter – once that first performer has recorded a composition, any performers would be free to record the song. The composer may get some cash compensation (e.g., if the song is recorded on a CD or published as sheet music), and may benefit from the promotional value of performances (e.g., more sheet music will be sold), but composers were absolutely not granted unlimited control of their output. Congress could have granted composers additional rights, but it didn't. Congress felt that the bundle of various monopoly rights it did grant should be enough to motivate composers to keep composing.

Congress could have granted composers additional rights, but it didn't.

Now let's look at sound recordings. (I'll clarify here parenthetically: When Rod Stewart records Cole Porter's "Night and Day," there are two different creative works involved – the song (lyrics and notes) and the performance of it (as captured on that recording). We're now talking about the latter.) In the early days of cylinders and 78 RPM discs and so forth, state copyright laws granted owners of the master recordings various rights to manufacture and sell these, but it was an open question as to whether radio stations had the right to play those recordings. In fact, top crooners of the era like Bing Crosby and Paul Whiteman

stamped "Not Licensed for Radio Airplay" on their records and hired lawyers to try to sue the radio stations that played their songs. However, a federal court ruled in 1940 that once a record was sold, the buyer had the right to use it in any manner he liked, including broadcasting it on the radio. In other words, the court determined that there were no copyright laws in effect that had granted that particular right (sometimes called a "public performance" monopoly right) to the performer. Recording artists had been granted several rights by Congress, the court concluded, but not that one.

Thereafter, radio stations knew they were free to play the records they wanted to play, and the relationship between recording artists and radio stations turned out to be a virtuous one! When radio stations played a Bing Crosby record, its sales didn't go down (as he was apparently afraid they might), but soared! A healthy economy developed in which record companies and recording artists encouraged radio stations to play their records, knowing they'd mutually benefit. It wasn't until 1972 that Congress, for the first time, offered any kind of federal copyright protection for sound recordings at all, and four years later the Copyright Law of 1976 established that there was a monopoly right to "public performance" for certain types of copyrighted material... but not for sound recordings. Congress apparently believed that record companies and recording artists were already sufficiently motivated to keep creating enough sound recordings to satisfy the public good.

There are specific monopoly rights that legislators decided to grant record companies, but, once again, they didn't grant monopoly rights over radio airplay!

Having discussed the composer's and the performer's perspective, let's now look at the issues from the record company's perspective. If you're Clive Davis or Andrew Lack running a record label, you might instinctively view this whole situation entirely differently. You might think, "I paid for the making of these recordings. They're my property! They should be mine to do with as I please!" But that's not historically correct. Historically, as we have seen above, the record companies started out with no rights at all, and were only gradually granted certain rights over time. For example, record companies were given the right, for a limited period of time, to determine who could use their recordings in TV commercials, films, compilation discs, or to use an album cover art on t-shirts. These are all specific monopoly rights that legislators decided to grant record companies, but, once again, they didn't grant monopoly rights over radio airplay!

Enter digital, jumping forward to 1995 and beyond. Technology is changing. Music is now being delivered to consumers in ways never before contemplated, over broadband connections to PC's, via satellite, over cable TV systems, and even to wireless phones. Having had this "It's mine, I should be able control it" feeling bugging them for years (remember, as far back as the 1930s!), the RIAA (Recording Industry Association of America) lobbied Congress to pass a law called the "Digital Performance Right in Sound Recordings Act (DPRA)." Here was the RIAA's argument: Digital transmissions of music were about to allow consumers to make a "perfect digital copy" of the music being transmitted. Those perfect copies were going to impact revenues for recording artists horribly – so horribly, in fact, that they might lack sufficient motivation to record music thereafter. The RIAA asked Congress for an additional monopoly right regarding the "public performance" of sound recordings when a digital transmission was involved... and Congress bought it. (In defense of legislators, the RIAA was very early on the curve here, and there was no organized "other side" to raise any effective objections.)

## Guest Corner (cont.)

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Congress instructed the Copyright Office to set up an arbitration panel (CARP) that would hold hearings to determine a suitable royalty rate.

However, Congress did somewhat limit the new monopoly it granted the copyright owners by adding a "statutory" license, so that music services wouldn't have to negotiate on a song-by-song basis for each song they wanted to play. As for compensation to the copyright owner, Congress instructed the copyright owners and the copyright users to negotiate a royalty rate among themselves, but, if that failed, Congress instructed the Copyright Office to set up an arbitration panel (CARP) that would hold hearings to determine a suitable royalty rate. Congress also established the four criteria (policy objectives referred to as the 801(b)(1) standard) the CARP should use, if a CARP was needed at all, to set the royalty rate – (A) *To maximize the availability of creative works to the public;* (B) *To afford the copyright owner a fair return for his creative work and the copyright user a fair income under existing economic conditions;* (C) *To reflect the relative roles of the copyright owner and the copyright user in the product made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, risk, and contribution to the opening of new markets for creative expression and media for their communication;* (D) *To minimize any disruptive impact on the structure of the industries involved and on generally prevailing industry practices.*

"The copyright arbitration royalty panel shall establish rates and terms that most clearly represent the rates and terms that would have been negotiated in the marketplace between a willing buyer and a willing seller."

In 1998, the Digital Millennium Copyright Act (DMCA) contained a bundle of new provisions to add new protections and rights for various copyright owners, including the RIAA, the MPAA, and computer software firms. Within that law, the RIAA got webcasting added as a form of digital transmission that would be covered by a "public performance" copyright, while the National Association of Broadcasters (NAB) got an exception inserted for HD Radio (although it's a digital transmission of music). The DMCA also changed the standard under which a webcasting CARP, if one proved necessary, was supposed to determine the appropriate royalty rate. The new standard was simpler but at the same time more vague: *"The copyright arbitration royalty panel shall establish rates and terms that most clearly represent the rates and terms that would have been negotiated in the marketplace between a willing buyer and a willing seller."*

And thus, here's where we stand today, based on the specific bundle of monopoly rights that Congress has granted the various factions over time:

- Copyright owners of sound recordings have not been granted any rights to control which AM, FM, or HD radio stations play their recordings.
- However, because of an alleged nascent threat of consumers being able to make "perfect digital copies" of songs transmitted digitally, Congress granted record labels a new monopoly right to control who plays their recordings, meaning effectively that Satellite radio has to pay a royalty for the use of sound recordings, with a rate being set by an arbitration panel based on several criteria that are designed to be balanced to benefit, overall, the public. (That rate is not public knowledge, but is estimated by stock analysts to be about 3.5% of industry revenues.)
- Internet radio also has to pay a royalty for the use of sound recordings, but its rate is set by a trio of judges based on a single criterion that can, in my reading anyway, be interpreted as "almost whatever the labels feel like." As it turns out, the new royalty rate is (in my estimate) more than 100% of the total industry's revenues! (See illustration below.)

## Guest Corner (cont.)

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- » Because a typical Internet radio station plays about 16 songs an hour, that's a royalty obligation in 2006 (based on proposed rates) of about 1.28 cents per listener-hour.
- » In 2006, a well-run Internet radio station might have been able to sell two radio spots an hour at a \$3 net CPM (cost-per-thousand), which would add up to .6 cents per listener-hour.
- » Even adding in ancillary revenues from occasional video gateway ads, banner ads on the website, and so forth, total revenues per listener-hour would only be in the 1.0 to 1.2 cents per listener-hour range.
- » That math suggests that the royalty rate decision — for the performance alone, not even including composers' royalties — is in the ballpark of 100% or more of total revenues for 2006. In later years the rate is set to escalate further:

<b>2006</b>	<b>\$.0008 per performance</b>
<b>2007</b>	<b>\$.0011 per performance</b>
<b>2008</b>	<b>\$.0014 per performance</b>
<b>2009</b>	<b>\$.0018 per performance</b>
<b>2010</b>	<b>\$.0019 per performance</b>

As it turns out,  
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revenues.

Clearly the process has spun off the rails. Particularly if the CRB decision drives Internet radio off the air, the public clearly doesn't benefit, and the very purpose of copyright law is not being served. The purpose of Congress granting copyright protections is to maximize the availability of creative output to the public. From the copyright owner's side, copyright protections are supposed to encourage bands like Clap Your Hands Say Yeah to keep recording music, and from the copyright user's side, these protections are to encourage the development of new services like Internet simulcasts and "B" channels and LAUNCHcast and AccuRadio and Live365 and Radio Paradise and Pandora. When both sides are doing what they do, the public benefits. Copyright law is not supposed to shut down an entire industry.

There were in my view two moments, historically, that have led to the major flaws in the current state of affairs: First, lobbyists had used a deceptive term — "perfect digital copy" — which in fact is far from "perfect." For streaming to work, webcasters necessarily stream music at much lower than CD quality. The term lobbyists should have used was "exact" copy, but it would have been a hard sell to Congress to claim that the potential availability of "exact" copies of mediocre-quality streams of music was going to seriously jeopardize music sales — particularly to the point where recording artists were going to quit recording. "Perfect digital copies" sounded a lot more threatening.

Secondly, the change in instructions to the CARP in 1998's DMCA — from the 801(b)(1) public policy-based criteria to the "willing buyer / willing seller" standard

## ***Guest Corner (cont.)***

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– has led to decisions, two out of two times (!), that may be potentially enriching for one of the sides but that clearly aren't in the public interest.

In the words of the great composer and lyricist Johnny Mercer, "Something's gotta give, something's gotta give, something's gotta give!"

Literally, stay tuned.

By Kurt Hanson  
AccuRadio and RAIN

Kurt Hanson has been a leading Internet radio pioneer and a widely recognized authority on the industry. He is the Founder and CEO of the webcaster AccuRadio ([www accuradio.com](http://www accuradio.com)) and the Publisher of RAIN: Radio And Internet Newsletter ([www.kurthanson.com](http://www.kurthanson.com)), which is a leading source of news and commentary for the Internet radio sector.

*The views expressed in this article are those of the author and do not necessarily reflect the views of Near Earth LLC.*

# 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:		
Company	3/21/07	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)	\$ 51.10	\$1,022.0	\$1,043.6	1.3x	16.3x	n/m	n/m	n/m
SESG.PA	SES Global S.A. (c)	\$ 19.40	\$13,335.8	\$17,465.1	8.6x	12.5x	22.1x	21.8x	19.5x
				Mean	5.8x	13.5x	26.5x		
<b>Satellite Equipment Manufacturers &amp; Integrators</b>									
GILT	Gilat Satellite Networks	\$ 7.99	\$320.8	\$247.7	1.0x	7.9x	21.9x	43.5x	18.6x
GCOM	Globecomm	\$ 11.00	\$178.0	\$152.0	1.2x	21.2x	36.4x	34.1x	23.4x
VSAT	ViaSat	\$ 34.11	\$1,037.7	\$961.9	1.9x	16.3x	29.5x	37.7x	26.9x
ORB	Orbital Sciences	\$ 18.57	\$1,163.0	\$1,164.2	1.5x	14.1x	17.1x	25.7x	23.2x
RADN	Radyn Comstream Inc.	\$ 9.30	\$175.3	\$147.7	1.1x	7.3x	8.7x	14.8x	13.3x
CMTL	Comtech Telecommunications	\$ 37.40	\$1,037.7	\$897.3	2.3x	11.6x	14.4x	23.2x	18.4x
CDV	COM DEV International (d)	\$ 4.96	\$299.1	\$286.8	2.4x	13.5x	18.9x	n/m	n/m
				Mean	1.6x	13.1x	21.0x	29.8x	20.6x
<b>Towers</b>									
AMT	American Tower	\$ 39.21	\$17,104.1	\$20,369.4	15.5x	24.9x	n/m	n/m	n/m
CCI	Crown Castle	\$ 33.69	\$6,982.1	\$8,883.3	11.3x	21.9x	n/m	n/m	n/m
SBAC	SBA Communications	\$ 29.18	\$3,026.9	\$4,491.5	13.7x	34.0x	n/m	n/m	n/m
				Mean	13.5x	26.9x			
<b>General Telecom</b>									
AT	Alltel	\$ 62.23	\$23,985.1	\$25,784.9	3.3x	9.9x	19.0x	29.1x	21.6x
T	AT&T (new)	\$ 38.86	\$151,245.5	\$208,623.5	3.3x	9.4x	16.9x	20.6x	14.8x
VZ	Verizon Communications, Inc.	\$ 37.68	\$110,703.8	\$169,748.8	1.9x	6.1x	12.7x	20.2x	16.1x
S	Sprint Nextel Corporation	\$ 19.29	\$57,329.9	\$77,422.9	1.9x	6.4x	31.2x	57.7x	21.9x
				Mean	2.6x	7.9x	19.9x	31.9x	18.6x
<b>TELECOM SERVICES INDEX (excludes Towers stocks)</b>									
				High	8.6x	21.2x	36.4x	57.7x	26.9x
				Mean	2.5x	12.3x	25.4x	29.9x	19.8x
				Low	1.0x	6.1x	8.7x	14.8x	13.3x

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

(\$ in millions, except per share data)		Stock Price:		Enterprise Value as a Multiple of:			Price as a Multiple of:		
Ticker	Company	3/21/07	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)	\$ 8.90	\$15,683.91	\$18,990.70	2.2x	8.1x	11.2x	14.5x	13.3x
DISH	EchoStar Communications	\$ 44.04	\$19,586.5	\$22,989.0	2.3x	9.3x	17.0x	22.9x	17.6x
DTV	DirecTV Group Inc.	\$ 23.75	\$27,417.1	\$28,363.2	1.9x	8.3x	11.8x	17.0x	14.7x
				Mean	2.2x	8.6x	13.4x	18.1x	15.2x
<b>Television</b>									
TVL	LIN TV Corp.	\$ 15.00	\$734.2	\$1,691.6	3.8x	12.6x	27.9x	n/m	19.0x
SBGI	Sinclair Broadcast Group	\$ 15.25	\$1,306.8	\$2,653.7	3.7x	12.9x	16.6x	34.7x	23.1x
UVN	Univision Communications	\$ 36.14	\$12,246.6	\$13,314.9	6.1x	17.6x	20.0x	29.4x	25.8x
YBTV	Young Broadcasting Inc.	\$ 3.99	\$86.8	\$824.3	3.9x	19.8x	n/m	n/m	n/m
				Mean	4.4x	15.7x	21.5x	32.0x	22.6x
<b>Satellite Radio (DARS)</b>									
SIRI	Sirius Satellite Radio	\$ 3.37	\$4,726.8	\$5,386.2	8.5x	n/m	n/m	n/m	n/m
WRSP	Worldspace	\$ 4.20	\$157.9	\$162.3	10.8x	n/m	n/m	n/m	n/m
XMSR	XM Satellite Radio	\$ 13.50	\$3,652.9	\$4,735.4	5.1x	n/m	n/m	n/m	n/m
				Mean	8.1x				
<b>Radio</b>									
CCU	Clear Channel	\$ 35.63	\$17,872.3	\$25,770.8	3.6x	11.0x	15.1x	24.2x	21.2x
CMLS	Cumulus Media Inc.	\$ 9.47	\$414.0	\$978.3	3.0x	11.7x	15.1x	n/m	35.1x
CXR	Cox Radio Inc.	\$ 13.91	\$1,328.2	\$1,734.2	4.0x	10.9x	11.7x	18.3x	17.2x
EMMS	Emmis Communications Corp.	\$ 8.16	\$303.4	\$982.1	2.6x	14.6x	18.8x	n/m	n/m
ETM	Entercom Communications	\$ 28.45	\$1,274.6	\$1,921.6	4.5x	11.9x	13.3x	20.6x	19.0x
ROIA	Radio One Inc.	\$ 6.80	\$671.2	\$1,629.6	4.4x	11.5x	13.2x	n/m	n/m
				Mean	3.7x	11.9x	14.5x	21.1x	23.1x
<b>NewsPrint</b>									
DJ	Dow Jones	\$ 34.40	\$2,880.1	\$3,314.0	1.9x	14.5x	27.4x	23.2x	19.5x
MNI	The McClatchy Company	\$ 32.41	\$2,095.1	\$3,717.7	2.2x	8.2x	10.6x	14.0x	12.8x
NYT	New York Times	\$ 23.32	\$3,371.6	\$4,804.2	1.5x	10.4x	16.4x	20.3x	18.7x
TRB	Tribune	\$ 29.10	\$7,985.4	\$12,242.9	2.2x	9.4x	11.3x	14.6x	14.1x
WPO	Washington Post	\$ 763.00	\$7,329.4	\$7,598.5	1.9x	10.1x	14.2x	21.3x	18.9x
				Mean	1.9x	10.5x	16.0x	18.7x	16.8x
<b>MEDIA SERVICES INDEX (excludes Satellite Radio (DARS) stocks)</b>									
				High	6.1x	19.8x	27.9x	34.7x	35.1x
				Mean	3.1x	12.5x	16.0x	18.3x	20.7x
				Low	1.5x	8.1x	10.6x	14.0x	12.8x

(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 1.3297 US \$ per Euro

(d) Converted to US \$ from C\$ at an exchange rate of 0.85276 US \$ per C\$

(f) Converted to US \$ from British Pound at an exchange rate of 1.95091 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

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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 14-19	National Association of Broadcasters - NAB 2007, Las Vegas, NV
April 16-17	Space Investment Summit, New York, NY

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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




**Murray Capital Management**  
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


**Undisclosed Major Asset Management Firm**  
**Valuation and Strategic Analysis of Loral Space & Communications**  
  
Near Earth LLC completed in-depth analysis



**Luxmovera LLC d/b/a uplinkearth**  
Financial and Business Analysis, Planning and Valuation  
Near Earth LLC acted as financial advisor to Luxmovera LLC





**International Datacasting, Corp.**  
Acquisition of PROline B.V.  
Near Earth LLC acted as strategic advisor to the acquirer

**\$5,400,000**  
  
Series A Convertible Preferred Stock  
The Near Earth Investment Club financed a portion of the round



**SES AMERICOM**  
Valuation of orbital slot  
Near Earth LLC valued assets for expert witness testimony

**\$110,000,000**  
**Pacific Corporate Group LLC**  
served as the lead investor in  
  
Series B Redeemable Convertible Preferred Stock  
Near Earth LLC acted as Financial Advisor to PCG



**Hughes Network Systems**  
Valuation of spectrum related assets  
Near Earth LLC provided in-depth valuation and analysis



**Intelsat, Ltd.**  
Private sale of minority block of shares  
Near Earth LLC acted as advisor to investor group



**Madison Dearborn Partners**  
Bid to acquire \$450 million minority stake in Inmarsat  
Near Earth LLC acted as financial advisor to the bidder



**XM Satellite Radio, Inc.**  
Creation of Canadian joint venture  
Near Earth LLC acted as financial advisor to both parties



**XM Satellite Radio, Inc.**  
\$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:

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