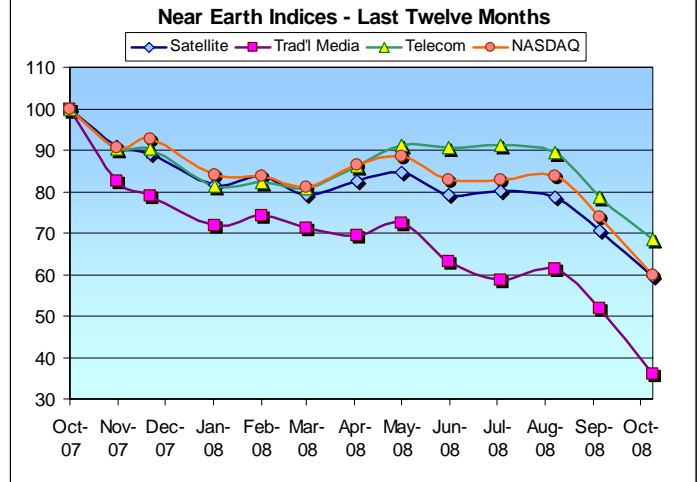


FROM THE GROUND UP

November 2008
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THE WAY WE SEE IT...
Satellite:

Small satellite builder **SpaceDev** agreed to be acquired by **Sierra Nevada Corporation**, marking the second small satellite manufacturer acquired by them to date (see our article later in this issue for a full discussion). A jury did a great deal to assist **ICO Global Communications** with its financing needs, awarding \$371 million in compensatory damages and an additional \$236 million in punitive damages in their suit against their satellite vendor **The Boeing Company**. Boeing immediately announced they would appeal. Venezuela joined the ranks of nations with their own satellite with the successful launch of the Simon Bolivar satellite on a Long March 3 vehicle. The satellite was built by **China Aerospace Science and Technology Corp.** and was the first commercial sale of a Chinese built satellite – a clear wake up call that the competition for satellites as well as launchers is heating up.

Telecom:

The FCC approved unlicensed commercial use of TV broadcast spectrum "white spaces", the unused bits of spectrum that inhabit the "buffer zones" separating already licensed allocations. The move opens up the possibility of vast new experimentation and creativity by both technology and application providers on an open platform, and is seen as a boost to **Google** and **Microsoft**.

Media:

In a slowing advertising environment even for the historically high-growth online segment, **Google** has decided to terminate a proposed Internet advertising alliance with **Yahoo!** The deal was originally devised at least in part to keep Yahoo! out of **Microsoft's** clutches at \$31 per share. Now that the former's stock price resides comfortably in the low teens, and as a rumored merger with **AOL** has apparently also fizzled, Microsoft's clutches are reported to seem less disadvantageous to Yahoo!, which may now be seeking to reignite discussions. In the meantime, the slowing advertising environment is also taking a toll on the ad network segment, with analysts predicting broad consolidation to take place and for only the largest and technically most advanced networks to survive. **Akamai**, in line with this forecast, has already moved to acquire ad-targeting firm **Acerno**. And where is traditional media in all this? If the **New York Times** is any indication, still facing advertising and circulation challenges. The newspaper and diversified media company announced weak quarterly results and set expectations for a reduced dividend payout, causing many analysts to wonder if even tougher times are ahead for the company.

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

Cash hoarding and stock deals in a market in turmoil

... issues when considering this strange dichotomy of cash wealth and equity poverty...

According to a recent VentureBeat column (“With its mountains of cash, Apple could buy...”), Apple Inc. had sufficient cash on hand at the time of the article to acquire, among a variety of valuable assets, whole companies such as Yahoo!, Sony, Netflix (some twenty times over), and RIM (almost completely). This was not to suggest that such targets would necessarily be a good use of Apple’s cash, but to highlight the sheer enormity of its liquid resources on one hand, and the depressed levels of equity markets on the other. While we were amused by the possibilities described, a number of interesting and more serious issues arise when considering this strange dichotomy of cash wealth and equity poverty, as it were, and the behavior of corporations such as Apple in this environment. Here are some further musings to find meaning in current patterns:

... when the cash is available in massive quantity and the stock price is at a historical low, is there a negative statement in the absence of buybacks?

- Apple’s common shares currently trade at roughly 50% off the 52-week high, and the company’s cash (and equivalents) balance represents about 25% of its equity market cap. In this cash-rich but severely devalued position, Apple is far from alone. Other prominent examples include Microsoft, Google, Cisco, Dell, and to a lesser extent even Amazon. The natural question: Where are the opportunistic buybacks? Stock buyback programs generally create value for shareholders not only through the reduction of outstanding shares and return of cash, but as a positive signal about management’s outlook. By the same token, when the cash is available in massive quantity and the stock price is at a historical low, is there a negative statement in the absence of buybacks? We ask because we don’t see many of these taking place, and we wonder.
- One school of thought, in response to the question, has been that cash-rich companies are waiting for opportunities in volatile equity markets to swoop in on little victims that are less (or il-)liquid and much more exposed to economic downturns. Fair enough, and there could well be a good number of such opportunities in months to come. But on the other hand, there is a speculation to such a strategy which would be far more constrained in a buyback program. From an acquiring CFO’s perspective, the timing of future acquisitions is imprecise and not fully controllable, and the risk/return calculation is also more difficult in comparison to the analysis of one’s own company prospects. All things being equal, in an uncertain economy in which risk aversion is on the rise (see further comments on this subject below) and equity values steeply fallen across the board, a stock buyback would seem an easier decision for a cash-rich organization.
- However, all things are not equal. There is the possibility that the hypothetical CFO of the hypothetical cash-rich enterprise sees a more substantial value opportunity in third-party targets with

Cash hoarding (con't)

... chatter of late about the need to conserve cash... probably [reflects] not so much pessimism as lack of clue [about the future].

... the value of cash these days is greater to many investors and corporations than the value of securities (equity or otherwise, including their own)

... a built-in market mechanism to counter [negative economic effects of cash hoarding]... strategic M&A using stock, rather than cash, as the currency of choice.

deteriorated liquidity and in need of being saved, versus the acquisition of stock that even in a run-down market may trade at a relative premium due to its healthy balance sheet. Additionally, buying back one's own shares is not a strategic exercise that expands product line, capabilities, or customer base. Valid points all, and thus we should be seeing increased M&A activity, particularly as the universe of low-price (and illiquid) targets expands... no? Yet M&A activity, although notable in sectors such as financial institutions, is not widely on the rise.

- What a frustrating situation. All this cash, and no outlet. Limited interest in buying back, limited interest in acquiring, and not even much interest in creating value through internal reinvestment. Just listen to all the executive and investor chatter of late about the need to conserve cash, “hunker down,” “batten down the hatches,” and be “laser focused” on the core business in a difficult economic period. The implied message in this sweeping hyper-caution is probably not so much pessimism as lack of clue. The economy is in decline, but how steep and how prolonged? The equity market may have bottomed... but just wait until earnings season is upon us next. Debt markets may have stabilized some due to international government intervention, but credit capital is not quite flowing... and who really knows when it will or, for that matter, why.
- And speaking of slow credit, a still other interesting phenomenon about which we are hearing more frequently, and which adds another element of the uncommon, is the relative return equivalence of equity and debt securities these days. As high-quality debt issues are generating near-equity returns in a tumultuous credit market, there is now a debt-created ceiling to the incentive to buy higher-risk stock. Financial investors and even some corporations (see Liberty Media's recently announced Dutch auction program for its own debt securities in a range of 60% of par value), are taking advantage of this unique debt market circumstance. But judging by market prices (60% of par value for Liberty Media), not many of these buyers are around.

The observations above point to one unifying market statement, which is that the value of cash these days is greater to many investors and corporations than the value of securities (equity or otherwise, including their own). While this phenomenon has the potential to feed on itself and become a self-fulfilling prophesy – as cash hoarding actually adds to the economic slowdown and serves to further erode the value of equity – there is a built-in market mechanism to counter such results, which we believe will become increasingly manifest in coming months: strategic M&A using stock, rather than cash, as the currency of choice.

Cash hoarding (con't)

To the extent that the target company is profitable and thus not a cash drain (cash is king!) for the acquirer or merger partner, and to the extent that the target company adds revenue streams and cost savings (i.e., cash flow, which builds cash – king as indicated), then so much the better. And to the extent that everyone's equity – the acquirer's and the target's – are likewise (even if not identically) depressed, then the deal downside to existing shareholders is limited. Best of all, companies such as Apple and others, will hold on to their precious cash in such structures. Perhaps, at some later date, this cash could even be expended. Until such time, it will be good to know that it exists.

By Dan Ramsden
Near Earth LLC

“L’État, c’est moi” makes the system go pop

bursting financial bubbles ... have always been the inevitable result of popular delusions and the madness of crowds.

“Après moi, le déluge”. So it was once attributed to Louis XV, the Bourbon ruler of France who reigned in the twilight years of l’ancien régime. Whatever the historicity of that quote, the sentiment was ultimately correct for, as it happened, the sixteenth Louis (who had followed the fifteenth Louis), was himself and his régime marched out of the halls of Versailles and to the guillotine to the mob’s piercing cries. The France that had suffered through decades of economic and social stagnation finally found relief and a change of sorts. The momentary end of the Bourbons broke open the figurative dam of radical and often violent political experimentation, the reverberations of which carried forward for decades (maybe centuries) thereafter. Tumult is no prisoner of the past, as we have seen in recent days with bursting financial bubbles.

These too have always been the inevitable result of popular delusions and the madness of crowds. In our modern day, we have bore witness to a technology bubble, a real-estate bubble, a commodity bubble, the numerous bubbles arising from various emerging markets and finally, the mother of all bubbles, that of the unrestrained extension of credit and the misallocation of risk. Now we brace ourselves for the deluge, the bubble of financial regulation and oversight certain to be broad and sweeping.

Just as reforms of the early French Republic brought on considerable unintended consequences, so too will regulations dreamed up by politicians and academics in theoretical and similarly dubious environments

The thought of more regulation ought to give us as much pause as less. Just as the reforms of the early French Republic brought on considerable unintended consequences, so too will regulations dreamed up by politicians and academics in theoretical and similarly dubious environments. Experience from Sarbanes-Oxley, a previous set of financial reforms brought on by a deluge of accounting scandals, has shown its many unintended effects – most notably that of chasing many companies out of the public markets and away from important sources of capital and liquidity. It is worth considering what other regulations may have contributed to our situation.

Two observations come to mind – both of which bear allusions to schoolroom physics. For the first, consider that the strength of materials is often a multidimensional task. Attempting to make, say, some mix of concrete stronger through some new method may succeed in its limited task, but at the cost of making the material more brittle. This concrete may be able to withstand greater pressure under normal conditions, but be more willing to break catastrophically when confronted with a sufficiently great force. While this may sometimes be a property that can be lived with, more often engineers recognize that robust systems must be able to bend to avoid the possibility of breakage.

Financial institutions are inherently closer to being brittle concrete than bendable steel, relying as they do on confidence of lenders or depositors

“L’État, c’est moi” (con’t)

...it is troubling to note considerable circumstances in which measures that have intended to strengthen our financial system have also served to make it more brittle

to keep them solvent. Once they lose that confidence, which is what happens in a financial crisis, the tendency is towards breakage. There is no escape for a financial institution that declares bankruptcy – they cannot reorganize, but must rather liquidate. While depository insurance (like FDIC) reduces this brittleness to some extent, it is troubling to note considerable circumstances in which measures that have intended to strengthen our financial system have also served to make it more brittle.

When Lehman Brothers fell in mid-September, not only did it spell the end of its existence as an entity, it explicitly revoked what had been the implicit assumption that it would not fail, because it was too big to do so, thereby revoking it for all other banks as well, and making them all riskier than the market value of their debt securities had until then reflected. Leverage being these institutions’ lifeblood, this gross devaluation squeezed their business model and their threatened solvency. Further, mark-to-market rules fed into another negative feedback loop of progressively declining asset values, feeding into falling transparency and confidence in the system. As accounting rules virtually forced the zeroing out even of assets that had continuing cash-flows, the market became unhinged from valuations and a crash in confidence fed into a system-wide run on banks occurred, with investment banks unable to borrow money from each other. The brittleness of the system was almost its undoing.

... a downgrade in extraordinary times would have cascade effects, progressively eroding their financial position and theirs and their policyholder’s creditworthiness along with it

Or take, for instance, the saga of the bond insurers, Ambac and MBIA. These two institutions ran a lucrative business of lending out their sterling ‘AAA’ ratings by issuing insurance on fixed income securities. This was a valuable service since the investment grade rating that municipals and structured products received as a result of the insurance made them eligible to be held by many pension and other government investment funds. There was a sizable risks in this: as the very business of these firms were predicated on having the sterling credit rating, a downgrade in extraordinary times would have cascade effects, progressively eroding their financial position and theirs and their policyholder’s creditworthiness along with it. This is exactly the phenomenon that occurred earlier this year... Once the many otherwise pedestrian munis or structured products no longer had the investment grade ratings of their insurers, they had to be dumped from the many portfolios that held them, causing their market values to crash. As these insurers’ share prices reflect, they were less bendable and more breakable.

Rules that governed the allocation and assessment of risky assets made this more brittle than it ought to be. Consider further that a plethora of rules exist that require virtually all fixed income securities to go through one of a very small group of rating agencies before they can be held by many institutions. Although intended to make risk more transparent to the market, it has accomplished this only by narrowing options and increasing moral hazard. Or consider rules that institutionalize quantitative portfolio

“L’État, c’est moi” (con’t)

management as it was theorized decades ago, despite well known defects to the process. While seemingly strengthening our markets, they hide risk, only to find it back with a vengeance later – brittle, not strong.

...Create an
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Gum up an
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channel, and
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its way around it.

Which bring us to the second schoolroom physics lesson – that the path of least resistance is always taken. So true is this when the financial markets are concerned. Create an arbitrage opportunity, and money will find its way through it. Gum up an established channel, and money will find its way around it. Securitizations, structured investment vehicles and other products of the shadow banking system thrived in a wilderness of regulations that forced capital into ever more creative off-balance sheet accounts and structures.

Consider, for instance, FDIC rules implementing the various international agreements on risk management, particularly those rules that arbitrarily assign risk rates to different forms of debt and, by extension, the collateral requirements of the debt. Under these rules, if you originate a mortgage with a 20% down payment, the risk weight associated with the loan is 35%. If, however, you repackage the mortgage as an ‘AA’ or ‘AAA’ rated security, all of a sudden, the risk weight is 20%, even though the underlying investment has not changed and the package it is in has gotten more opaque, not less. Given this and many other arbitrary requirements, it bears wondering to what extent securitization activity has been little more than a practice in regulatory arbitrage.

...It is high time
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What hath we wrought and how do we get out of this? Neither the “risk-free” financial fad of the day or implicit hidden government guarantees will make risk disappear; they merely delay paying the piper for another day. International treaties and government institutions that tell us how to manage risk will fail when market conditions and the newest techniques of fast-moving organizations change faster than they do. It is high time we put the pricing of risk back where it belongs, in the hands of those who bear it, and stop believing that yet another layer of regulations that purport to reduce, manage, outsource, and hedge it away, will do it for us.

Markets favor transparency and sound valuation, and we believe that a free market of best practices that make our financial system robust, (not brittle), transparent, (not opaque), is best. To that end, equal opportunity to access capital, free from arbitrary bureaucratic standards, will make us all better off and bring the world together.

By Ian Fichtenbaum
Near Earth LLC

The smallsat urge to merge – Why now, and who’s next?

...this expansion of demand for small satellites has been mirrored by an expansion of demand for small satellite companies

As we detailed last month (see *Satellites going bigger or smaller? Yes in the October 2008 issue of From the Ground Up*), the market for satellite systems is broadening, leading to growth in demand for large as well as smaller satellites. While the trend for increasing power levels for commercial satellites (a direct driver of their size) towards and beyond 20 kW has been around for some time, the expansion of demand for smaller satellites is a relatively new phenomenon. At the same time, this expansion of demand for small satellites has been mirrored by an expansion of demand for small satellite *companies*. Consider the following transactions:

Target	Acquirer	Year
Spectrum Astro	General Dynamics	July '04
Swales Aerospace	ATK	June '07
AeroAstro	Radyne	Aug. '07
Alliance Spacesystems	MacDonald Dettwiler	Dec. '07
Microsat	Sierra Nevada	Jan. '08
Surrey Satellite	EADS	April '08 (announced)
SpaceDev	Sierra Nevada	Oct. '08 (announced)

Quite apparently, capital has been chasing the small satellite industry. But why?

One reason is the expanding capabilities (and thus the expanding market) of small satellites – as detailed last month. With the market for larger space systems growing more slowly, smallsats offer a way for these larger firms to reignite their growth, and thus investor interest.

... their “start up” cultures, where costs are very closely monitored and controlled by necessity, are also attractive to acquirers.

So, while part of the reason is clearly the growth in the market for the product and technical capabilities of the companies themselves, we think another force is also at work here. The answer lies in looking at the acquirers – typically large companies that have other space systems capabilities – but have few or no small satellite offerings. While this could be thought of the classical build vs. buy scenario, where buying is cheaper, we think that is too simple as well.

Rather, we note that most of these small satellite firms are not only focused on a developing market niche, but are developing companies *themselves* – that is they are young firms. As important as their technical capabilities are, we think their “start up” cultures, where costs are very closely monitored and controlled by necessity, are also attractive to acquirers. To some extent this mimics the situation at SpaceX, where the same sort of culture has resulted in drastically lower costs. The key, of course, will be to see the extent that these firms can remain

The smallsat urge to merge (con't)

... one needs to have this cultural advantage to compete – but it is virtually impossible to create from scratch

entrepreneurial as they are incorporated into their larger parents. From the perspective of these parents, when considering entering the sector one needs to have this cultural advantage to compete – but it is virtually impossible to create from scratch. So, acquisition becomes the only real way for them to address this growing market opportunity.

Of course, from our perspective as bankers to the sector, the question arises: what next? If past experience is any guide, we expect this trend to continue. With ten or so remaining smallsat companies out there, and today's market conditions that make it difficult to fund smaller private companies, we think the trend will not just continue, but accelerate. As for who is next, we expect that firms will largely choose to merge based on their ability to book orders (which will drive values up) vs. their ability to access capital (which may force them to sell out as their resources are exhausted).

By John Stone
Near Earth LLC

NEAR EARTH ANALYSIS: MARKET COMPARABLES

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	11/5/08	Market Value of Equity	Enterprise Value (a)	LTM Sales	LTM EBITDA	LTM EBIT	LTM EPS	2008E EPS (b)	2009E EPS (b)
Satellite Television (DBS)										
BSY	British Sky Broadcasting (f)	\$ 6.60	\$11,541.4	\$13,422.0	1.7x	8.7x	11.7x	17.3x	29.2x	23.5x
DISH	Dish Network Corp	\$ 15.76	\$7,260.3	\$11,855.4	1.1x	4.4x	9.6x	13.2x	6.4x	5.9x
DTV	DirecTV Group Inc.	\$ 20.80	\$23,899.2	\$25,965.2	1.4x	5.6x	9.8x	15.8x	14.2x	11.1x
	Mean				1.4x	6.2x	10.4x	15.4x	16.6x	13.5x
Cable Television										
CHTR	Charter Communications Inc.	\$ 0.43	\$159.5	\$20,716.5	3.3x	9.3x	22.6x	n/m	n/m	n/m
CMCSA	Comcast Corporation	\$ 16.90	\$49,157.5	\$78,484.5	2.4x	6.1x	12.0x	18.5x	19.0x	16.1x
MCCC	Mediacom Communications Corp.	\$ 4.05	\$390.4	\$3,555.9	2.6x	7.3x	14.6x	n/m	n/m	n/m
TWC	Time Warner Cable Inc.	\$ 19.90	\$19,454.2	\$29,995.2	1.8x	4.9x	9.8x	15.0x	17.6x	17.3x
	Mean				2.5x	6.9x	14.8x	16.8x	18.3x	16.7x
Television										
TVL	LIN TV Corp.	\$ 2.30	\$118.7	\$965.9	2.4x	5.7x	8.5x	3.4x	n/m	7.7x
SBGI	Sinclair Broadcast Group	\$ 3.21	\$301.9	\$1,696.1	2.2x	5.2x	9.9x	5.1x	5.4x	10.7x
YBTV	Young Broadcasting Inc.	\$ 0.05	\$1.2	\$811.4	5.3x	19.0x	n/m	n/m	n/m	n/m
	Mean				3.3x	10.0x	9.2x	4.3x	5.4x	9.2x
Satellite Radio (DARS)										
SIRI	Sirius XM Radio	\$ 0.26	\$771.9	\$1,831.2	0.8x	n/m	n/m	n/m	n/m	n/m
	Mean				0.8x					
Radio										
CMLS	Cumulus Media Inc.	\$ 1.38	\$59.4	\$578.2	1.8x	6.6x	7.9x	3.8x	2.9x	5.5x
CXR	Cox Radio Inc.	\$ 5.98	\$518.3	\$871.7	2.0x	5.8x	6.2x	4.2x	7.7x	8.8x
EMMS	Emmis Communications Corp.	\$ 0.54	\$19.9	\$631.6	1.8x	8.5x	10.5x	0.2x	n/m	n/m
ETM	Entercom Communications	\$ 1.01	\$38.1	\$952.1	2.1x	n/m	n/m	n/m	n/m	1.0x
ROIA	Radio One Inc.	\$ 0.59	\$58.2	\$793.9	2.4x	8.6x	10.5x	n/m	6.6x	4.2x
	Mean				2.0x	7.4x	8.8x	2.8x	5.7x	4.9x
NewsPrint										
MNI	The McClatchy Company	\$ 2.67	\$219.7	\$2,406.3	1.2x	6.2x	10.0x	6.5x	3.9x	5.8x
NYT	New York Times	\$ 9.84	\$1,417.5	\$2,106.0	0.7x	5.9x	11.5x	14.9x	13.9x	16.7x
WPO	Washington Post	\$ 445.00	\$4,231.1	\$4,546.1	1.1x	7.7x	13.7x	22.2x	17.3x	16.5x
	Mean				1.0x	6.6x	11.7x	14.5x	11.7x	13.0x
MEDIA SERVICES INDEX (excludes Satellite Radio (DARS) stocks)										
	High				5.3x	19.0x	22.6x	22.2x	29.2x	23.5x
	Mean				2.1x	7.4x	11.2x	10.8x	12.0x	10.8x
	Low				0.7x	4.4x	6.2x	0.2x	2.9x	1.0x

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		11/5/08	Market Value of Equity	Enterprise Value (a)	LTM Sales	LTM EBITDA	LTM EBIT	LTM EPS	2008E EPS (b)	2009E EPS (b)
Satellite Capacity Leasing (FSS)										
ETL.PA	Etelsat Communications	\$ 20.82	\$4,500.7	\$7,725.5	6.8x	8.8x	15.7x	18.9x	17.6x	16.2x
LORL	Loral Space & Comm. Inc.	\$ 11.24	\$226.6	\$411.1	0.5x	7.1x	n/m	n/m	n/m	n/m
SESG.PA	SES Global S.A. (c)	\$ 17.41	\$8,819.6	\$13,380.8	6.4x	9.5x	17.7x	18.2x	12.8x	11.8x
	Mean				4.6x	8.4x	16.7x	18.5x	15.2x	14.0x
Satellite Equipment Manufacturers & Integrators										
CDV	COM DEV International (d)	\$ 3.06	\$208.7	\$222.1	1.3x	15.9x	37.5x	20.6x	14.3x	9.2x
CMTL	Comtech Telecommunications	\$ 47.25	\$1,296.5	\$1,040.5	2.0x	9.2x	10.2x	17.4x	13.0x	10.7x
GCOM	Globecom Systems Inc.	\$ 7.05	\$137.3	\$85.9	0.4x	4.5x	6.4x	5.1x	14.4x	11.6x
GILT	Gilat Satellite Networks	\$ 3.31	\$140.0	\$36.8	0.1x	1.3x	2.6x	8.0x	9.7x	6.9x
HUGH	Hughes Communications, Inc.	\$ 17.75	\$342.1	\$748.1	0.7x	5.5x	9.8x	11.3x	22.5x	9.7x
ISYS	Integral Systems Inc.	\$ 21.87	\$374.6	\$366.6	2.3x	12.7x	13.7x	18.0x	20.3x	18.2x
ORB	Orbital Sciences	\$ 19.19	\$1,123.4	\$963.6	0.8x	8.6x	10.2x	17.2x	19.4x	21.3x
SATS	EchoStar Corp.	\$ 18.49	\$1,777.9	\$1,088.9	0.6x	n/m	n/m	n/m	n/m	n/m
VSAT	ViaSat Inc.	\$ 18.91	\$577.0	\$470.0	0.8x	8.3x	16.7x	35.9x	12.2x	10.4x
	Mean				1.0x	7.1x	9.9x	16.1x	15.9x	12.7x
Towers										
AMT	American Tower	\$ 31.02	\$12,220.1	\$16,491.9	10.8x	17.2x	33.1x	n/m	n/m	n/m
CCI	Crown Castle	\$ 20.75	\$5,936.9	\$12,295.2	8.3x	15.4x	n/m	n/m	n/m	n/m
SBAC	SBA Communications	\$ 19.10	\$2,025.2	\$4,272.9	9.8x	19.3x	n/m	n/m	n/m	n/m
	Mean				9.7x	17.3x				
General Telecom										
S	Sprint Nextel Corporation	\$ 3.71	\$10,580.9	\$30,063.9	0.8x	3.5x	n/m	n/m	n/m	n/m
T	AT&T	\$ 27.15	\$161,868.3	\$240,384.3	2.0x	5.5x	10.3x	12.1x	9.5x	9.2x
VZ	Verizon Communications, Inc.	\$ 30.84	\$91,521.1	\$168,681.1	1.8x	5.5x	10.2x	15.6x	12.0x	11.3x
	Mean				1.5x	4.8x	10.3x	13.8x	10.8x	10.2x
TELECOM SERVICES INDEX (excludes Towers stocks)										
	High				6.8x	15.9x	37.5x	35.9x	22.5x	21.3x
	Mean				1.7x	7.0x	12.4x	14.2x	13.7x	11.3x
	Low				0.1x	1.3x	2.6x	5.1x	9.5x	6.9x

NEAR EARTH ANALYSIS: M&A TRANSACTIONS

Selected Satellite, Telecom & Media Transactions
(US\$ in millions)

Date Announced	Acquiror	Target	Equity Value (a)	Transaction Value (b)	Transaction Value/	
					LTM Sales	LTM EBITDA
Satellite Operators						
04/21/04	KKR	PanAmSat Corporation	\$3,532.0	\$4,300.0	5.2x	7.7x
06/06/04	Blackstone Group	New Skies Satellites NV	956.0	956.0	4.5x	7.7x
08/17/04	Zeus Holdings	Intelsat Ltd.	3,100.0	5,000.0	5.2x	7.6x
08/29/05	Intelsat Ltd.	PanAmSat Holding Corporation	3,065.0	6,271.1	7.5x	9.7x
12/14/05	SES Global	New Skies Satellites NV	760.0	1,160.0	5.0x	8.0x
12/05/06	Abertis Telecom	EutelSat (32% share)	1,000.0	1,838.0	7.3x	9.7x
12/18/06	Telesat (new)	Telesat (old)	2,800.0	2,940.0	7.1x	12.0x
12/18/06	Telesat (new)	Loral Skynet	691.0	1,050.0	7.1x	19.6x
12/18/06	Telesat (new)	Telesat/Skynet Combined	3,491.0	3,990.0	7.1x	13.4x
06/19/07	BC Partners	Intelsat	5,000.0	16,400.0	7.7x	11.3x
08/02/07	Abertis Telecom	Hispasat (28.4% share) (Pending)	199.0	199.0	5.8x	7.9x
				Mean	6.3x	10.4x
Ground Equipment & Systems Integrators						
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	Xantix	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
05/12/08	Comtech	Radyne	201.9	223.6	1.5x	16.0x
07/10/08	Nokia	Navteq	7,719.0	8,100.0	8.8x	29.5x
				Mean	1.1x	16.0x
Aerospace and Defense						
04/23/07	Kratos	SYS Technologies	49.3	49.3	0.6x	n/m
05/03/07	Globecom	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
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	1.4x	12.1x
				Mean	1.0x	8.7x
Video Distribution Equipment						
09/29/05	International Datacasting	Proflin (c)	4.5	3.9	1.1x	n/d
11/18/05	Cisco	Scientific Atlanta	6,900.0	5,300.0	2.7x	13.2x
02/08/06	Tandberg Television	Skystream	80.0	80.0	2.6x	n/d
07/25/06	Motorola	Broadbus Technologies	181.0	181.0	n/d	n/d
08/21/06	Cisco	Arroyo Video Solutions, Inc	92.0	92.0	n/d	n/d
08/22/06	Harmonic	Entone Tech.	45.0	45.0	n/d	n/d
12/21/06	Motorola	Tut Systems	39.0	39.0	1.0x	n/d
				Mean	1.9x	13.2x
Towers						
07/04/04	Global Signal	Lattice Communications	\$115.0	\$115.0	9.4x	n/d
05/04/05	American Tower	Spectrasite	3,100.0	3,800.0	10.2x	17.0x
03/17/06	Crown Castle	Trintel Communications	145.0	145.0	10.1x	n/d
03/17/06	SBA Communications Corp	AAT Communications Corp	1,002.0	1,002.0	12.0x	17.9x
05/08/06	Crown Castle	Mountain Union Telecom LLC	-	309.0	11.9x	n/d
10/06/06	Crown Castle	Global Signal	4,000.0	5,800.0	12.1x	26.6x
				Mean	10.9x	20.5x
General Telecom (Wireless)						
02/17/04	Cingular	AT&T Wireless	\$40,770.0	\$47,105.0	2.8x	10.7x
12/15/04	Sprint Corp	Nextel Communications Inc	28,449.0	36,200.0	2.7x	7.1x
01/05/05	Alltel	Western Wireless	4,300.0	6,181.0	3.2x	10.7x
07/01/05	Sprint Nextel Corporation	US Unwired, Inc.	1,000.0	1,266.0	2.9x	13.2x
03/06/06	AT&T (new)	Bell South	67,000.0	89,000.0	4.3x	10.7x
				Mean	3.2x	10.5x
Television						
03/31/05	Lin TV Corp.	WNDY-TV, WWHO-TV	\$85.0	\$85.0	4.3x	12.9x
05/10/05	Various Acquirors (d)	Emmis Comm TV Portfolio	1,350.0	1,350.0	5.2x	14.6x
06/30/05	Univision Communications	WLIH (2 TV Stations in Puerto Rico)	190.0	190.0	4.0x	16.7x
03/29/07	Umbrella Holdings LLC	Univision Communications	12,300.0	13,700.0	6.3x	18.1x
				Mean	4.9x	15.6x
Radio						
09/29/04	Capital Radio	GWR Group	\$611.0	\$728.0	3.1x	13.4x
06/21/05	Emap PLC	Scottish Radio Holdings	713.0	793.0	4.5x	17.7x
11/01/05	Cumulus Media Inc.	Susquehanna Radio	1,200.0	1,200.0	n/d	15.0x
02/07/06	Citadel Broadcasting	Disney (ABC Radio)	1,500.0	2,700.0	4.7x	13.5x
07/30/08	Bain Capital	Clear Channel	17,923.8	23,724.1	3.5x	10.8x
				Mean	4.0x	14.1x
New Media						
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
03/06/06	NBC Universal	iVillage Inc.	600.0	550.0	6.0x	32.4x
03/15/07	Cisco	WebEx	2,900.0	2,900.0	7.6	29.3
01/31/08	Amazon.com	Audible	280.7	257.0	2.4x	n/m
02/11/08	Microsoft	Danger	-	500.0	8.9x	n/m
03/04/08	Demand Media	Pluck	-	75.0	7.5x	n/d
05/28/08	comScore	M:Metrics	-	44.3	4.0x	n/d
05/15/08	CBS	CNET	1,800.0	1,800.0	4.4x	n/m
				Mean	5.8x	22.7x

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

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

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

(d) Transaction includes the divestiture of Emmis' TV portfolio to: Lin TV (\$260M), Journal Comm (\$235M), Gray (\$186M), Blackstone (\$259M)
It also includes estimated transaction value of \$410M for the final sale of 3 TV stations. This is predicted to occur sometime in 2005.

n/d Not Disclosed

n/m Not Meaningful

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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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