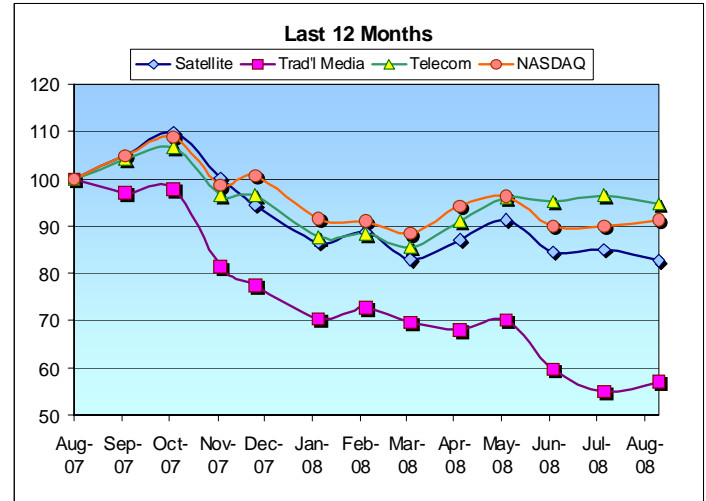


FROM THE GROUND UP

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

WildBlue Communications raised \$50 million in VC funding, with the proceeds targeted towards subsidizing subscriber acquisition costs in the retail channel, and indicated that it may still raise additional capital. We see this as a move to grab share before competition heats up, as opposed to a more sedate internally funded expansion.

Gilat's proposed \$475 million acquisition by an investor group led by **The Gores Group** fell apart, triggering an apparent flurry of pending litigation. The investors cited poor operating performance and a failed attempt to renegotiate the deal.

Media:

Google has surprised its audience with the introduction of a new browser, "Chrome". Although the jury is out regarding this product, still in early beta, Chrome seems to offer greater speed and efficiency than **Microsoft's** Explorer and even **Mozilla's** Firefox (a product supported by Google through a strategic relationship that is now being called into question). The open-source architecture on which Chrome is built should prompt the development of independent applications that will on an ongoing basis differentiate it from Explorer or **Apple's** Safari browser, and Google's stated emphasis on cloud computing as part of this roll-out is perhaps most noteworthy. In the longer term (particularly with Google's support) this could pose a real threat to traditional software bundles offered by both Microsoft and Apple, and ultimately change our every-day user experience.

Separately, the breakup of **IAC** has been completed and the conglomeration of disparate assets now comprises five separate companies: **Ticketmaster**; lending business **Tree.com**; home-shopping company **HSN**; time-share provider **Interval Leisure**; and the new IAC, a collection of Internet properties. Designed to allow the new IAC to focus and be valued on the basis of Internet growth purely, the company's stock performance so far has still underperformed its consumer Internet peer group (e.g. **Amazon**, **Ebay**), suggesting that all Internet plays are not equal, and that IAC's historical underperformance may not have been solely due to conglomeration.

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What the 4th quarter may (or not) unfold

Feeling the optimism of a market that seems due to “pop”... we also feel a tinge of anxiety about the lingering questions and risks in the months ahead.

A loosening of conditions could trigger a positive ripple effect throughout the system... but precisely when this reopening might happen remains difficult to predict, and difficult for all involved to plan around.

As markets continue to sift through liquidity issues and uncertainties that have taken a toll not only on the corporate credit environment but more recently also public equity capital – in sectors that have for a long time depended on such access – we look forward to the beginning of this year’s final quarter with a blend of hopefulness and caution. Feeling the optimism of a market that seems due to “pop”, as it were, judging by the historical duration of cycles, looking at a transaction pipeline that has been building up for some time, and waiting for economic policy stimuli to kick in, we also feel a tinge of anxiety about the lingering questions and risks in the months ahead. Here is a snapshot of the half-full and half-empty glass, profiling a set of variables that have underpinned our current half-way situation:

- Investment appetite. As financial institutions continue to add to multi-billion dollar write-offs and sundry other struggles (e.g., Lehman Bros. now hoping to sell off assets), terms, prices, and lending standards remain tight at all levels. And while new borrowers are challenged, existing borrowers are working hard to avoid revisiting credit facilities in this environment. Concurrently, there has been mixed relief found in equity markets: venture capital has been selectively active, focused on “trendy” segments like alternative energy and popular web services; private equity has factored the tighter credit market into lower valuation multiples; and the IPO market has been spotty at best. Additionally, several marquee private equity groups have been forced to significantly downsize fund-raising targets in this environment, (including such names as Madison Dearborn and KKR). Looking forward, if financial institutions are truly nearing the end of asset deterioration, as has been expected by markets for some time, and if economic indicators turn more consistently favorable (see below), then a loosening of conditions could trigger a positive ripple effect throughout the system. Precisely when this reopening might happen remains difficult to predict, and difficult for all involved to plan around.
- Oil prices. The equities markets have been cheering the precipitous fall of oil prices in recent weeks, hovering around the \$110 per barrel mark at the time of this writing. That this level is well below a recent peak in the mid-\$140s several weeks ago is the glass half-full. That less than 6 months ago we were watching to see if oil prices would actually increase beyond the \$100 mark, having systematically risen from roughly \$70 this time last year, is the glass half-empty. The direction of oil prices in months ahead will do a great deal to impact economic growth, or lack thereof, and may

thus be an economic stimulus, or lack thereof, impacting availability of capital as described in the previous paragraph. In the coming weeks, all eyes will be on weather-related events that could disrupt the energy sector, and on political debates that could determine the course of futures markets.

...federal agencies have been active and visible trying to minimize economic disruption... but such efforts have been countered by economic factors outside of their immediate control, such as [energy costs]...

- Economic stimulus policies. The federal agencies have been active and visible in trying to minimize the economic disruption caused by deteriorating real estate values and other variables listed herein, but such efforts have been countered by economic factors outside of their immediate control, such as the rising and volatile cost of energy described. Interest rate reductions and tax stimulus packages have not yet sufficed to push the economy in a convincing or sustainable manner, but there is a possibility that these are still trickling through a very complex economic structure. We have to hope this is the case, because the lingering concern of inflation will limit the Fed's options in respect to further rate cuts, and a large federal deficit limits additional fiscal stimulus alternatives. The fourth quarter may provide us with added clues to economic direction and the effectiveness of earlier actions taken, while hopefully the political landscape heading into the next four years gains clarity. At the present time, however, the answers remain unclear.
- Currency devaluation. While the tightness of financial markets described has made many private equity funds and strategic acquirers in the U.S. comparatively timid in relation to 1-2 years ago, the U.S. dollar devaluation resulting from aggressive rate cuts by the Fed has aided cross-border acquisition and investment activity by foreign buyers. This was most prominently seen in the financial sector, as banks continue to shore up balance sheets with overseas capital, (most recently a potential acquisition of Lehman Bros. by Korea Development Bank). The long-term consequences of this capital influx, given the extent of the U.S. trade deficit and a variety of geopolitical uncertainties (discussed below), remain to be seen. The extent to which overseas capital has been a welcome boost to capital markets in the near term is clear. The direction of such flows in the months ahead, assuming no further volatility in the U.S. currency to scare investors off, will undoubtedly have a material impact on the moods and temperament of all U.S. capital markets.
- Geopolitics. Adding to the turmoil of an Iranian nuclear stand-off and wars in Iraq and Afghanistan, Russia has reminded Western allies that its participation in a cooperative geopolitical environment should not be taken for granted. We note that almost all of the nations mentioned in the prior statement are major contributors to

International affairs are now impacting the domestic economy very directly... [Heading] into a presidential election in which both candidates pride themselves on economic and foreign policy credentials respectively, the linkage of the two "departments" is apparent.

4th quarter (cont.)

Because of [the] multi-layered interrelation and causality it is not implausible that movement of just the right domino(s) could give rise to a positive [or negative] chain-reaction with material and far-reaching impact.

global oil supply, which is probably not a coincidence, and international affairs are thus now impacting the domestic economy very directly, (see also the cross-border investment discussion above). As we head into a momentous presidential election in which both candidates pride themselves on economic and foreign policy credentials respectively, the linkage of the two “departments” may have contributed to the vice presidential selections of both, by way of filling gaps and rounding out the respective packages. The degree to which each of the two candidates could help or harm the delicate state of global affairs and, by extension, the national economy, may also impact the state of fourth-quarter capital markets (as financial markets have always tended to be forward looking). With an election still too close to call, the financial market forecast remains murky.

A myriad of other ingredients and complexities can be added to the above list, all of which will have every opportunity in the coming months of either refilling our glass or emptying it, a lot or a little. As was also suggested in several instances, these factors are not discrete and containable but are directly linked to many others, either as cause or as effect, and in some cases a bit of both. Because of such multi-layered interrelation and causality it is not at all implausible that the proper movement of just the right domino(s) could quickly give rise to a positive chain-reaction with material and far-reaching impact. The reverse could of course also be true... but in light of the unified and focused attention to economic conditions from all corners of the private and public sector, and from much of the world for that matter, we remain hopeful that the right dominos have a better than even chance of falling.

By Dan Ramsden
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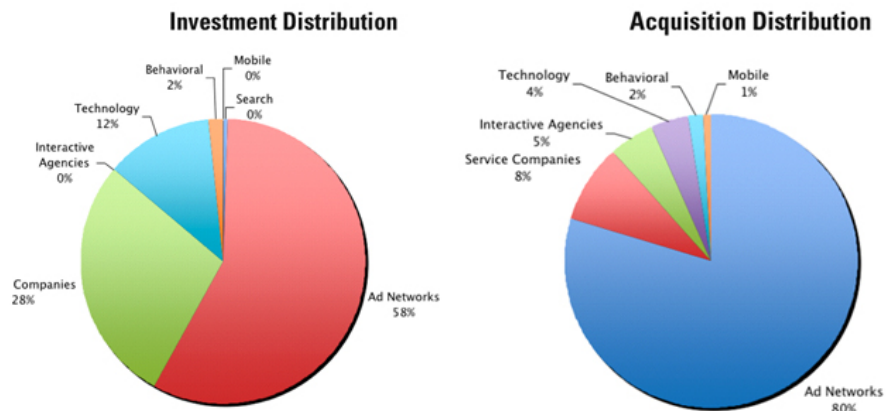
Why ad networks keep getting funded

The ad network industry continues to receive significant attention from investors seeking to capitalize on the advertising transition from traditional to new media...

In general terms, ad networks are the intermediaries that help online publishers sell-off excess ad inventory at significantly reduced prices. A few top tier ad networks have the economies of scale and scope to succeed in the current market, while a handful of niche networks have been able to offer a differentiated service by focusing on specific verticals or by using complex algorithms to match the right ads with the right placements. For the rest, the fragmented industry is plagued with price erosion, channel conflict and poorly targeted advertising. Recently, major online publishers such as ESPN and WeatherChannel have announced that they will stop using 3rd party ad networks, citing genuine concern about commoditization of their brands. However, even with the portended decline of such premium ad inventory, poor overall financial market conditions and general economic slowdown, the ad network industry continues to receive significant attention from investors seeking to capitalize on the advertising transition from traditional to new media (that is gaining momentum). In August, Brand.net received a second round of funding of \$20 million, Adisn raised \$1 million in its first round, Media6Degrees announced a \$9 million raise, Turn Inc. raised \$15 million, Lotame raised \$13 million, and the list goes on.

According to the “2008 Online Advertising Deals Report” by ContentNext Media, there were 160 venture capital investments and 100 M&A deals in the Internet advertising sector between Q1 '07 – Q2 '08, with a combined value exceeding \$20 billion.¹ Ad networks represented 58% and 80% of these VC and M&A deals, respectively, during that period (see chart below).

Ad networks represented 58% and 80% of VC and M&A deals, respectively, during Q1 '07 – Q2 '08.



Source: 2008 Online Advertising Deals Report by ContentNext Media

¹ Includes Microsoft's acquisition of aQuantive (\$6 billion) and Google's acquisition of Doubleclick (\$3 billion).

Ad networks (cont.)

Ad networks are a subsection of the overall display advertising sector, in which marketers pay for website space or “inventory” to display their advertisements. According to the Interactive Advertising Bureau (IAB), display advertising (including rich media ads) generated revenue of \$9 billion in 2007, and accounted for approximately 30% of the overall U.S. online advertising market.

... 80-20 Principle is at work in the display advertising market, as a small portion of display ad inventory is generating the majority of display ad revenues.

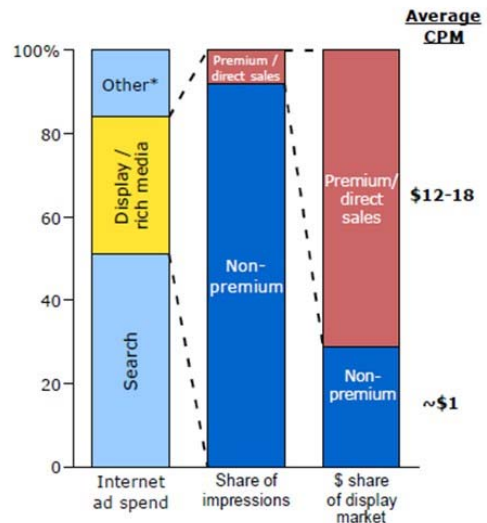
A recent study by Bain and Company in coordination with the IAB highlighted the value chain dynamics of the display advertising market. According to this study, ad networks control the bulk of display inventory, but only generate ~30% of the revenue, which implies that in 2007 ad networks generated roughly \$2.7 billion of revenue. Pareto’s 80-20 Principle is certainly at work in the display advertising market, as a very small portion of display ad inventory is generating the majority of display ad revenues. This is further reflected in the large difference in CPM rates when sold directly or through an ad network. Premium ad inventory sold directly to marketers command average CPM rates of \$12-\$18, compared to ad networks’ CPM rates of ~\$1 (see chart above).

Inventory sold by the ad networks receives lower CPMs because it is remnant ad space, typically on non-premium websites...

Inventory sold by the ad networks receives lower CPMs because it is remnant ad space, typically on non-premium websites. CPM rates also vary based on other factors such as supply and demand of inventory, amount and type of website traffic, type of content, time of year, geography of inventory, number of impressions per unique user, and which ad networks a publisher is using. As illustrated below, different ad networks boast different audience access, and different features that may improve the advertising value.

Based on comScore’s March 2008 Media Metrix results (see tables to the right), the

Intermediaries control bulk of display inventory and generate ~30% of revenue



Bain_IAB Digital Pricing Study FINAL EXTERNAL 08-08-08

*Other includes classifieds, email advertising, email based lead generation, slotting fees, etc.
Source: CIBC; ThinkEquity; literature searches; Deutsche Bank; Bear Stearns; CIBC; Advertising Age; Piper Jaffray; eMarketer; Forrester; Veronis; company filings; Bain Analysis L44

Top 15 Ad Networks March 2008 Total U.S. - Home/Work/University Locations Source: comScore Media Metrix		
	Total Unique Visitors (000)	% Reach
Total Internet : Total Audience	188,010	100.0
Platform-A*	170,537	90.7
Yahoo! Network	160,336	85.3
Google Ad Network	152,048	80.9
Specific Media	145,554	77.4
ValueClick Networks	140,091	74.5
Tribal Fusion	135,640	72.1
Casale Media Network	129,399	68.8
DRIVEpm	124,333	66.1
adconion media group	117,469	62.5
interCLICK	108,818	57.9
Traffic Marketplace	105,420	56.1
Collective Media	100,151	53.3
24/7 Real Media	94,525	50.3
ADSDAQ by ContextWeb	94,459	50.2
Burst Media	93,291	49.6

*Includes Advertising.com, which reached 167.5 million visitors in March 2008.

Ad networks (cont.)

top three ad networks are AOL's Platform-A, Yahoo! Network and Google Ad Network.

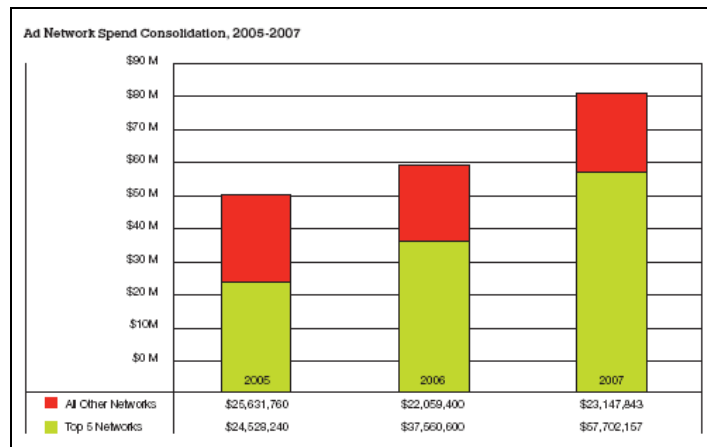
These top tier networks reach roughly 80-90% of Internet users in the U.S. Niche ad networks have far less reach, but try to use higher levels of targeting. For example, Snap Shots Network uses pop-up advertising alongside key words, AdOn Network uses contextual and behavioral targeting technology, and GoFish Networks works with publishers focused on the consumer kids, teens and moms segment. These niche networks typically reach only 5-10% of Internet users.

Selected Niche Ad Networks March 2008 Total U.S. - Home/Work/University Locations Source: comScore Media Metrix		
	Total Unique Visitors (000)	% Reach
Total Internet : Total Audience	188,010	100.0
Snap Shots Network	18,556	9.9
AdOn Network	16,825	8.9
GoFish Networks	9,865	5.2
Widgetbucks Network	9,622	5.1
HispanoClick by Batanga	8,370	4.5
Indieclick	6,885	3.7
The Heavy Men's Network	3,379	1.8
NeoEdge Game Network	911	0.5

[While] top tier networks reach roughly 80-90% of Internet users in the U.S., niche ad networks have far less reach but try to use higher levels of targeting.

Despite the targeting capabilities and others provided by such leading edge ad networks, the trend among online advertisers has been to focus their spending on the top tier providers (which have traditionally competed on the basis of large traffic volume). In 2007, the top 5 ad networks accounted for 71% of the total ad network spend, compared to 63% in 2006 (see chart below). With large ad inventories, the top tier ad networks are able to offer more choices at lower prices. More recently the top tier networks have tried to maintain their leadership edge with key acquisitions of "next generation" or "2.0" ad networks (similar in capabilities to the niche ad networks described in the previous paragraph). In 2007, Yahoo! acquired Right Media and Blue Lithium, while AOL acquired Tacoda and Quigo, which has helped enhance the value of their inventory and drive more ad spending to the top tier networks. The ad network spend consolidation trend is in this fashion expected to continue, while smaller independent niche players will probably find it even more difficult to compete.

...top tier networks have tried to maintain their leadership edge with key acquisitions of "next generation" or "2.0" ad networks...



Source: 2008 Digital Outlook Report by Avenue A / Razorfish

Ad networks (cont.)

... many VCs see opportunity and are willing to invest in companies with strong intellectual property and seasoned management teams...

So why do small ad networks continue to be funded when the industry is highly competitive, the advertisers are only working with a select few networks, and the premium publishers are shying away from using the ad network service all together? Part of the answer is in the consolidation illustrated above, and the exit opportunity this constitutes. Additionally, we have to remember that the online advertising industry is still relatively new, and everyone from advertisers to agencies, publishers and ad networks is still experimenting with what makes the ideal display ad solution and how all parts of the value chain could work together. New trends, such as rich media ads with video and sound, are transforming the market and commanding significantly higher CPMs. New inventory, from social networking sites, blogs, widgets and mobile devices, is also adding to the complexity. With this type of potential and ongoing change in online advertising, many VCs see opportunity and are willing to invest in companies with strong intellectual property and a seasoned management team. We expect that ad networks that continue to develop (or acquire) innovative targeting solutions, and to offer better measurement and monitoring of their ad placements, will be among the leaders of this highly competitive space.

By Kuni Takahashi
Near Earth LLC

Who really won the Olympics?

When you give them more opportunities (granted, the quality must be there too), consumers consume more content... With the proliferation of means to deliver greater quantities of more varied content, more of it is available to consume.

The winners of this [trend] are content owners (and producers) everywhere.

NBC Universal deluged sports junkies with a staggering 3600 hours (at 40 hours per week, nearly two years worth – or nearly enough to stretch to the upcoming Winter Games) of Olympic coverage this year. In the words of Jerry Zucker, “...more than the combined total of every Summer Olympics ever televised in the US.” However, as is appropriate for this age, this unprecedented level of coverage was distributed across seven television networks: NBC, CNBC, USA, MSNBC, Oxygen, Telemundo and Universal HD, and the online portal NBCOlympics.com, which carried over 2200 hours itself. Perhaps we should have called it the online Olympics...

So, while the performances of Michael Phelps, Usain Bolt and Kerrie Walsh riveted viewers, and the neck and neck medal count race between the USA and China drew attention, there were other winners, too. Consider that NBC Universal paid \$894 million for the U.S. rights to the summer games, and is estimated to have spent an additional \$125 million in production costs. With the final tally yet to come, it appears that NBC Universal will pocket about \$100 million in profit (with almost all revenues coming from conventional media – according to eMarketer, only \$5.4 million from NBCOlympics.com), plus the positive but difficult to quantify “halo” effect for their brand and benefits from programming cross promotions during the games.

So, NBC seems to have done pretty well, but from our perspective the real winners are the content owners themselves. With the proliferation of means to deliver greater quantities of more varied content, more of it is available to consume. Going into the games, the question was: OK, NBC Universal built it – but will they come? The answer: When you give them more opportunities (granted, the quality must be there too), consumers consume more content. In this case, an estimated 211 million of those consumers, making this year’s games the most watched television event of all time. This makes the rights themselves more valuable, and in turn implies rising valuation for ALL content. This, in turn, enhances value along the entire chain for producing (and, to a lesser extent, distributing) content, from producers, editors and production staff all the way to the athletes and entertainers we see on the screen. While our example comes from the Olympic broadcast, we believe its lesson can be generalized to non-sports programming as well. The real winners of this year’s Olympics? Content owners (and producers) everywhere.

By John Stone
Near Earth LLC

August skies: COTS and the geopolitics of spaceflight

...to keep the ISS operating and in its proper orbit, the partner nations of this massive project must deliver a steady stream of crew rotations and cargo deliveries.

The guns of August arise again. A normally quiet, lazy, intermission month, when much of the professional world finds itself checked-in for some rest and relaxation, August has historically bode ominous for East-West relations and geopolitical stability. Both World Wars, the construction of the Berlin Wall, the incident at the Gulf of Tonkin as well as the 1991 attempted Soviet coup occurred in seemingly sleepy August. This year, as the world watches the spectacle of Russian tanks rolling into Georgia, we are reminded that – no – we haven't run out of history yet, and that August is back with a vengeance.

What next August brings is a page to be written, but this August has brought consternation to a relatively arcane realm - that of space transportation systems and the International Space Station (ISS). Here's where we stand - to keep the ISS operating and in its proper orbit, the partner nations of this massive project must deliver a steady stream of crew rotations and cargo deliveries. By agreement and logistical necessity, these functions are handled jointly, by the US with its Shuttle and by Russia with its Soyuz and Progress spacecraft. (The Europeans too, have a role with their own cargo craft).

Arranged for political reasons in the early 90s, the US-Russian cooperation on these matters has never been completely cozy. Indeed, this intended cooperation stands in especially stark contrast when placed against the US Iran Non-proliferation Act (INA) which, among many things, prohibits NASA from purchasing from Russia the Soyuz vehicles it needs to service the ISS. This continues to be in effect as long as Congress views Russia as continuing to assist Iran's nuclear program. Congress has granted waivers to the INA before - but now, with the US government reviewing the "entire relationship" with a more aggressive Russia, an intended retirement of the Shuttle in 2010 and long delays in the development in its replacement, Orion, reliable human transportation to the ISS is becoming much more precarious.

The Shuttle is on its last legs and the Orion has development problems that may not survive its next review.

Most of politicians' focus on this problem has been on closing the US space transportation gap by either accelerating development of Orion or extending the life of the Shuttle, committing billions of dollars more along the way. Frankly, while this may be a good idea and a political necessity, it should not be our only backstop solution to this problem. The Shuttle is on its last legs and the Orion has development problems that may not survive its next review. Fortunately, there is another answer, one perhaps more suited to an emerging era of private and commercial development of space.

August skies (cont.)

COTS or Commercial Orbital Transportation Services, a project by NASA to grant \$500 million to develop systems to provide cargo and crew services to the ISS.

...the \$500 million COTS budget is an order of magnitude less than the annual budgets expected for Orion and a Shuttle extension.

That answer is COTS or Commercial Orbital Transportation Services, a project by NASA to grant \$500 million to develop systems to provide cargo and crew services to the ISS. The idea was that the systems developed would later compete for ISS service contracts. In 2006 and 2008, competitions brought NASA to disburse parts of that \$500 million to SpaceX and Orbital Sciences Corporation to each develop spacecraft. Orbital, the experienced hand with many successes under its belt, is developing the Cygnus craft to provide cargo services. SpaceX, the young upstart, is aiming higher with its Dragon system to potentially provide both cargo and crew transport. With some fits and starts, both are now making good progress in bending metal and getting these craft ready for the 2010-11 timeframe. Then they will participate in competitions for ISS services contracts, possibly against other companies that were shut out of NASA COTS money but have decided to develop the systems anyway.

So – is this a way to help fill the gap and develop commercial participation? As much as the mere existence of the COTS program is a great step forward, it hasn't gotten the top-level attention and respect that it deserves. The money is constantly threatened at the Congressional level and hasn't been taken seriously as a Shuttle replacement. Even more troubling, much of the money is focused on cargo, not crew transportation. The crew portion of COTS, so-called COTS-D, requires considerably more money to make a reality. Moreover, as mentioned above, only SpaceX's offering even promises the possibility of crew capability. Lastly, the \$500 million COTS budget is an order of magnitude less than the annual budgets expected for Orion and a Shuttle extension. This is not a serious amount of money versus the stated gap filling mission.

How do we get serious about this? More money yes, but equally important is incentivizing private investment into COTS participants. NASA can start by providing better leadership on the COTS issue and putting greater attention on making commercial partnerships a reality. NASA can also be more attentive to developing the commercial potential of the ISS laboratories, seeking partners in the biological and materials sciences, ensuring that the transport services have a stronger future market demanding such transport. Further, NASA can encourage private investment in the non-COTS winners (i.e., everyone except SpaceX and Orbital) by providing some degree of investment matching for private investments greater than some amount, say \$50 million, to filter out the less serious and well backed commercial efforts. Another avenue is to find ways to work with Bigelow Aerospace, the inflatable module king which plans its own commercial space station systems, to expand the potential market for COTS services.

This August, amidst geopolitical clamor, US space policy finds itself in a definitional bind: Can NASA remake itself into a champion of commercial

August skies (cont.)

NASA can start by providing better leadership on the COTS issue and ... making commercial partnerships a reality.

operation and private investment in space transportation? Its past history does not provide us with a very good verdict on that point, but COTS shows it is at least trying. We should all take serious note though: as it currently stands, in a few short years, the US space program could find itself in much the same situation as it was in 1961 when Soviet cosmonaut Gherman Titov made his country's second successful manned spaceflight, with 17 orbits of the Earth. The US, caught flatfooted and watching agape from the ground, had still not accomplished any itself. Coincidentally, that too happened in the month of August.

By Ian Fichtenbaum
Near Earth LLC

NEAR EARTH ANALYSIS: MARKET COMPARABLES

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

		Stock Price:			Enterprise Value as a Multiple of:			Price as a Multiple of:		
(\$ in millions, except per share data)		9/2/08	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)	\$ 8.74	\$15,275.9	\$17,385.1	2.0x	10.0x	13.5x	20.4x	15.8x	12.2x
DISH	Dish Network Corp	\$ 28.33	\$13,051.1	\$17,646.2	1.6x	6.5x	14.4x	23.8x	11.4x	10.6x
DTV	DirectTV Group Inc.	\$ 27.62	\$31,735.4	\$33,801.4	1.8x	7.3x	12.8x	21.0x	18.8x	13.9x
Mean					1.8x	7.9x	13.5x	21.7x	15.3x	12.2x
Cable Television										
CHTR	Charter Communications Inc.	\$ 1.03	\$382.0	\$20,939.0	3.3x	9.4x	22.8x	n/m	n/m	n/m
CMCSA	Comcast Corporation	\$ 21.16	\$61,548.7	\$90,875.7	2.8x	7.1x	13.9x	23.2x	23.8x	19.1x
MCCC	Mediacom Communications Corp.	\$ 7.85	\$756.7	\$3,922.2	2.9x	8.1x	16.1x	n/m	n/m	n/m
TWC	Time Warner Cable Inc.	\$ 26.98	\$26,375.6	\$36,916.6	2.2x	6.0x	12.1x	20.4x	23.1x	21.4x
Mean					2.8x	7.6x	16.2x	21.8x	23.4x	20.2x
Television										
TVL	LIN TV Corp.	\$ 5.35	\$276.1	\$1,123.3	2.8x	6.7x	9.9x	8.0x	n/m	16.7x
SBGI	Sinclair Broadcast Group	\$ 7.02	\$660.3	\$2,054.5	2.7x	6.3x	12.0x	11.1x	9.4x	13.2x
YBTV	Young Broadcasting Inc.	\$ 0.13	\$3.0	\$813.3	5.3x	19.1x	n/m	n/m	n/m	n/m
Mean					3.6x	10.7x	10.9x	9.6x	9.4x	15.0x
Satellite Radio (DARS)										
SIRI	Sirius XM Radio	\$ 1.33	\$3,948.5	\$5,007.8	2.3x	n/m	n/m	n/m	n/m	n/m
WRSP	Worldspace	\$ 1.46	\$61.8	\$173.3	12.9x	n/m	n/m	n/m	n/m	n/m
Mean					7.6x					
Radio										
CMLS	Cumulus Media Inc.	\$ 4.58	\$197.2	\$716.0	2.2x	8.2x	9.7x	12.7x	10.0x	19.9x
CXR	Cox Radio Inc.	\$ 10.99	\$952.4	\$1,305.8	3.0x	8.7x	9.3x	7.8x	13.7x	14.9x
EMMS	Emmis Communications Corp.	\$ 2.16	\$79.7	\$691.3	1.9x	9.3x	11.5x	0.7x	n/m	n/m
ETM	Entercom Communications	\$ 6.10	\$230.2	\$1,144.1	2.5x	n/m	n/m	n/m	n/m	5.3x
ROIA	Radio One Inc.	\$ 1.63	\$160.7	\$896.4	2.7x	9.7x	11.9x	n/m	18.1x	11.6x
Mean					2.5x	9.0x	10.6x	7.1x	13.9x	12.9x
NewsPrint										
MNI	The McClatchy Company	\$ 3.39	\$278.9	\$2,465.5	1.2x	6.4x	10.2x	8.3x	4.6x	5.3x
NYT	New York Times	\$ 13.12	\$1,889.9	\$2,578.5	0.8x	7.3x	14.1x	19.8x	16.8x	18.2x
WPO	Washington Post	\$ 605.58	\$5,757.9	\$6,072.9	1.4x	10.3x	18.3x	30.1x	23.3x	22.4x
Mean					1.1x	8.0x	14.2x	19.4x	14.9x	15.3x
MEDIA SERVICES INDEX (excludes Satellite Radio (DARS) stocks)										
High					5.3x	19.1x	22.8x	30.1x	23.8x	22.4x
Mean					2.4x	8.6x	13.3x	16.0x	15.7x	14.6x
Low					0.8x	6.0x	9.3x	0.7x	4.6x	5.3x

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

		Stock Price:			Enterprise Value as a Multiple of:			Price as a Multiple of:		
(\$ in millions, except per share data)		9/2/08	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	Eutelsat Communications	\$ 26.87	\$5,808.0	\$9,420.6	7.4x	9.5x	17.1x	21.8x	19.9x	20.6x
LORL	Loral Space & Comm. Inc.	\$ 17.60	\$354.9	\$539.3	0.6x	9.3x	n/m	n/m	n/m	n/m
SESG.PA	SES Global S.A. (c)	\$ 23.74	\$12,028.4	\$17,138.3	7.3x	10.8x	20.2x	22.1x	16.0x	14.5x
Mean					5.1x	9.9x	18.7x	22.0x	18.0x	17.5x
Satellite Equipment Manufacturers & Integrators										
CDV	COM DEV International (d)	\$ 3.08	\$239.8	\$240.7	1.2x	17.0x	n/m	22.2x	13.2x	8.4x
CMTL	Comtech Telecommunications	\$ 46.02	\$1,262.8	\$1,006.7	1.9x	8.9x	9.8x	17.0x	14.7x	13.7x
GCOM	Globecom Systems Inc.	\$ 10.06	\$201.6	\$158.9	0.8x	8.7x	12.5x	15.0x	14.2x	19.0x
GILT	Gilat Satellite Networks	\$ 8.11	\$343.0	\$239.8	0.9x	8.7x	17.3x	19.5x	23.9x	16.9x
HUGH	Hughes Communications, Inc.	\$ 43.27	\$833.9	\$1,239.9	1.2x	9.1x	16.2x	27.6x	n/m	18.8x
ISYS	Integral Systems Inc.	\$ 44.00	\$421.5	\$413.5	2.6x	14.4x	15.4x	20.3x	20.5x	18.3x
ORB	Orbital Sciences	\$ 26.79	\$1,576.3	\$1,416.5	1.2x	12.6x	15.0x	24.1x	27.6x	25.8x
SATS	EchoStar Corp.	\$ 31.12	\$2,834.7	\$2,145.7	1.2x	n/m	n/m	n/m	n/m	n/m
VSAT	ViaSat Inc.	\$ 25.97	\$792.5	\$685.5	1.1x	12.0x	24.3x	n/m	16.6x	14.3x
Mean					1.4x	10.6x	15.8x	20.6x	19.6x	18.1x
Towers										
AMT	American Tower	\$ 41.16	\$16,214.7	\$20,486.5	13.5x	21.4x	n/m	n/m	n/m	n/m
CCI	Crown Castle	\$ 37.42	\$10,706.5	\$17,064.7	11.6x	21.4x	n/m	n/m	n/m	n/m
SBAC	SBA Communications	\$ 34.90	\$3,700.4	\$5,948.2	13.7x	26.8x	n/m	n/m	n/m	n/m
Mean					12.9x	23.2x				
General Telecom										
S	Sprint Nextel Corporation	\$ 8.83	\$25,183.2	\$44,666.2	1.2x	5.2x	n/m	n/m	n/m	n/m
T	AT&T	\$ 32.25	\$192,274.5	\$270,790.5	2.2x	6.2x	11.6x	14.3x	10.8x	9.7x
VZ	Verizon Communications, Inc.	\$ 35.83	\$106,329.5	\$183,489.5	1.9x	5.9x	11.1x	18.1x	13.6x	12.4x
Mean					1.8x	5.8x	11.4x	16.2x	12.2x	11.0x
TELECOM SERVICES INDEX (excludes Towers stocks)										
High					7.4x	17.0x	24.3x	27.6x	27.6x	25.8x
Mean					2.1x	9.2x	13.1x	15.9x	14.7x	14.8x
Low					0.6x	5.2x	9.8x	14.3x	10.8x	8.4x

(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 1.4522 US \$ per Euro.

(d) Converted to US \$ from C\$ at an exchange rate of 0.9360 US \$ per C\$.

(f) Converted to US \$ from British Pound at an exchange rate of 1.7844 US \$ per British Pound.

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	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	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	
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	WLLI (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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www.web2expo.com

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www.spaceangelsnetwork.com

October 14 2008

ISCe Satellite Investment Symposium, New York, NY

www.isis-nyc.com

October 15-16, 2008

SATCON 2008, New York, NY

www.satconexpo.com

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