



# PUBLIC NOTICE

Federal Communications Commission  
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Washington, D.C. 20554

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DA 04-3418

October 27, 2004

## AUTHORIZATIONS GRANTED

**Applications of Comsat General Corporation, Lockheed Martin Global Telecommunications LLC, Comsat New Services, Inc., Intelsat LLC, and Intelsat MTC LLC to Assign Licenses and Authorizations and Request for a Declaratory Ruling on Foreign Ownership**

**IB Docket No. 04-235**

By the Chief, International Bureau and Chief, Wireless Telecommunications Bureau:

On May 28, 2004, COMSAT General Corporation (“COMSAT General”), Lockheed Martin Global Telecommunications, LLC (“LMGT”), and COMSAT New Services, Inc. (“CNSI”) (collectively, “COMSAT General Businesses” or “Assignors”) and Intelsat LLC and Intelsat MTC LLC (together, “Assignees,” and collectively with COMSAT General Businesses, the “Applicants”) filed a series of applications pursuant to sections 214, 308, and 310(d) of the Communications Act of 1934, as amended (the “Act”) and a petition for declaratory ruling under section 310(b)(4) of the Act.<sup>1</sup> The unopposed Applications seek Commission approval for assignment of various licenses and authorizations from the COMSAT General Businesses to Intelsat LLC and Intelsat MTC LLC pursuant to an Asset Purchase Agreement entered into by and among the Applicants. These applications pertain to special temporary authority and licenses for earth stations, a geostationary satellite space station, a private land mobile radio license, and an international section 214 authorization. Intelsat LLC and Intelsat MTC LLC also request a declaratory ruling that their indirect foreign investment is consistent with the public interest.<sup>2</sup>

On August 10, 2004, the United States Department of Justice, including the Federal Bureau of Investigation and the United States Department of Homeland Security (collectively, the “Executive Branch Agencies”), with the concurrence of COMSAT General, LMGT, and CNSI, submitted a petition requesting that the Commission defer grant of these applications until potential national security, law

<sup>1</sup> 47 U.S.C. §§ 214, 308, 310(b)(4), 310(d). On June 25, 2004, the Commission placed the Applications and Petition for Declaratory Ruling on public notice as acceptable for filing. *Comsat General Corporation, Lockheed Martin Global Telecommunications LLC, Comsat New Services, Inc., Intelsat LLC, and Intelsat MTC LLC Seek FCC Consent to Assign Licenses and Authorizations and a Declaratory Ruling on Foreign Ownership*, IB Docket No. 04-235, Public Notice, DA 04-1873 (Int’l Bur. June 25, 2004).

<sup>2</sup> A list of the applications and the petition for declaratory ruling filed in this proceeding is set forth in Appendix A of this Public Notice.

enforcement, and public safety issues have been addressed by the parties.<sup>3</sup> On September 4, 2004, the Department of Defense (“DOD”) filed a separate petition requesting that the Commission defer grant of these applications pending resolution of potential national security issues.<sup>4</sup> Subsequently, on October 7, 2004, the DOD submitted a petition withdrawing its petition to defer.<sup>5</sup> That same day, the Executive Branch Agencies submitted a Petition to Adopt Conditions to Authorizations and Licenses (“Petition”).<sup>6</sup> In the Petition, the Executive Branch Agencies advised the Commission that they do not object to the grant of the instant applications, provided that the Commission conditions such grant on compliance by Intelsat LLC, Intelsat MTC LLC, and Intelsat Government Solutions Corporation (“IGSC”) with the commitments and undertakings they made in an October 5, 2004 letter to the Executive Branch Agencies (the “Intelsat Commitment Letter”).<sup>7</sup>

Upon consideration of the record, the International Bureau and the Wireless Telecommunications Bureau find that grant of the Applications will serve the public interest, convenience and necessity, subject to the conditions set forth in this Public Notice and attachments.<sup>8</sup> As a preliminary matter, there is no evidence in the record to suggest that Intelsat LLC and Intelsat MTC LLC lack the basic qualifications to hold the FCC licenses necessary to operate the COMSAT General Businesses.<sup>9</sup> Further, the record contains no evidence that the proposed assignment would harm competition in the U.S.-international satellite communications markets.<sup>10</sup> Intelsat, Ltd. (“Intelsat”), the ultimate parent of the Assignees, owns and operates a global satellite system that provides space segment capacity for various communications services, including voice, video, data, and Internet connections. Its fleet of satellites offers service in more

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<sup>3</sup> According to the petition, the Executive Branch Agencies are “evaluating whether the proposed assignment of COMSAT’s licenses and authorizations to Intelsat could impair the ability of authorized governmental agencies in the United States to satisfy their obligations to preserve national security, enforce the laws, and protect public safety.” Department of Justice, Federal Bureau of Investigation, Department of Homeland Security, Intelsat, LLC, Intelsat MTC LLC, COMSAT General Corporation, Lockheed Martin Global Telecommunications, LLC, and COMSAT New Services, Inc., Joint Petition to Defer, IB Docket No. 04-235 at 2 (dated Aug. 10, 2004).

<sup>4</sup> The DOD states that it is “evaluating whether the proposed assignment of COMSAT’s licenses and authorizations to Intelsat could impair its ability to preserve national security communication options to ensure the defense of America.” Department of Defense, Petition to Defer, IB Docket No. 04-235 at 2 (dated Sept. 14, 2004).

<sup>5</sup> Department of Defense, The Department of Defense Seeks to Withdraw its Petition to Defer, IB Docket No. 04-235 (dated Oct. 7, 2004).

<sup>6</sup> Department of Justice, Federal Bureau of Investigation, and Department of Homeland Security, Petition to Adopt Conditions to Authorizations and Licenses, IB Docket No. 04-235 (dated Oct. 7, 2004).

<sup>7</sup> Letter from Joan M. Griffin, Kelley, Drye, & Warren LLP, Counsel to COMSAT General Corporation, Lockheed Martin Global Telecommunications, LLC, and COMSAT New Services, Inc. and John B. Reynolds, III, Wiley, Rein, & Fielding, LLP, Counsel to Intelsat LLC, INTELSAT MTC LLC, and Intelsat Government Solutions Corporation, to Laura H. Parsky, Deputy Assistant Attorney General, United States Department of Justice, Tina W. Gabbrielli, Director of Intelligence Coordination and Special Infrastructure Protection Programs, United States Department of Homeland Security, and Patrick W. Kelley, Deputy General Counsel, Federal Bureau of Investigation (dated Oct. 5, 2004). This letter is attached to this Public Notice as Appendix B. According to the letter, Intelsat Ltd. and IGSC are parties to the transaction agreement but not to the FCC applications. Intelsat Commitment Letter at n.1.

<sup>8</sup> 47 U.S.C. §§ 214(a), 310(d).

<sup>9</sup> See 47 U.S.C. § 308(b).

<sup>10</sup> See Petition for Declaratory Ruling under Section 310 of the Communications Act of 1934, as amended and Joint Application for Consent to Assignments, File No. ISP-PDR-20040528-0005, at 15-19 (filed May 8, 2004) (“Petition for Declaratory Ruling”).

than 200 countries.<sup>11</sup> There are a number of competing providers in these markets as well as other satellite- and cable-based providers.<sup>12</sup> Under these circumstances, we find that granting the proposed transaction will not harm competition in the U.S.-international satellite communications markets. Further, we find that the combination of Intelsat's operations with the assets it proposes to acquire from COMSAT General Businesses should provide Intelsat with the ability to provide its customers greater end-to-end international communications solutions and allow Intelsat to realize economies of scale and scope.<sup>13</sup>

Additionally, based on the certifications and representations made by the Applicants, we find that Intelsat MTC LLC is not affiliated with a foreign carrier within the meaning of the Commission's rules.<sup>14</sup> We therefore conclude that, upon closing, Intelsat MTC LLC shall be classified as a non-dominant international carrier, pursuant to section 63.10 of the rules, on all authorized U.S. international routes.<sup>15</sup> Intelsat MTC LLC, however, will be treated as "dominant" in its provision of Intelsat space segment capacity for switched voice and private line service on non-competitive, or "thin," U.S. international routes and therefore will be subject to the alternative rate regulation adopted in the *Comsat Alternative Rate Regulation Order*.<sup>16</sup>

The International Bureau further finds that it would not serve the public interest to deny the applications on the basis of proposed indirect foreign ownership of Intelsat LLC and Intelsat MTC LLC in excess of the 25 percent benchmark of section 310(b)(4). As discussed in the Applications, Intelsat LLC and Intelsat MTC LLC are indirect, wholly-owned subsidiaries of Intelsat (Bermuda), Ltd., and, in turn, by Intelsat, both of which are incorporated under the laws of Bermuda, a World Trade Organization ("WTO") Member country. The Commission has previously approved the indirect foreign ownership of Intelsat LLC in the *Intelsat LLC Licensing Order*.<sup>17</sup> More recently, the International Bureau found, in the

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<sup>11</sup> *Id.* at 5.

<sup>12</sup> See Petition for Declaratory Ruling at 17-18.

<sup>13</sup> *Id.*

<sup>14</sup> See 47 C.F.R. § 63.09(d)-(e). Intelsat MTC LLC does not hold any international Section 214 authorizations. See Joint Application for Assignment of International Section 214 Authorization, ITC-ASG-20040528-00235, at 4. However, its direct parent company, IGSC, holds international section 214 authority granted in File No. ITC-214-20040528-00213. See *International Authorizations Granted*, Public Notice, DA 04-2251 (rel. July 22, 2004). In addition, its ultimate parent, Intelsat, Ltd., holds section 214 authorizations through its subsidiary, Intelsat USA License Corp. See *Lockheed Martin Corporation, COMSAT Corporation, and COMSAT Digital Teleport, Inc., Assignors and Intelsat, Ltd., Intelsat (Bermuda), Ltd., Intelsat LLC and Intelsat USA License Corp., Application for Assignment of Earth Station and Wireless Licenses and Section 214 Authorizations and Petition for Declaratory Ruling*, 17 FCC Rcd 27732 (Int'l Bur./Wireless Tel. Bur. 2002) ("*Lockheed/Comsat/Intelsat Order*").

<sup>15</sup> 47 C.F.R. § 63.10.

<sup>16</sup> *Comsat Corporation, Policies and Rules for Alternative Incentive Based Regulation of Comsat Corporation*, IB Docket No. 98-60, Report and Order, 14 FCC Rcd 3065 (1999) ("*Comsat Alternative Rate Regulation Order*"). See also *Comsat Corporation Petition Pursuant to Section 10 of the Communications Act for Forbearance from Dominant Carrier Regulation and for Reclassification as a Non-Dominant Carrier*, IB Docket No. 98-60, Order and Notice of Proposed Rulemaking, 13 FCC Rcd 14083 (1998) ("*Comsat Non-Dominant Order and NPRM*"). Thus, we extend to Intelsat MTC LLC the condition that we imposed on the Assignor, Lockheed Martin Global Telecommunications, LLC with respect to its authorization (ITC-214-20001016-00636). See *International Authorizations Granted*, Public Notice, 15 FCC Rcd 22312, 22314 (2000) (the "requirements of dominant carrier regulation that will apply to the applicant will be the same as those that apply to [COMSAT World Systems]").

<sup>17</sup> *Applications of Intelsat LLC for Authority to Operate, and to Further Construct, Launch, and Operate C-band and Ku-band Satellites that Form a Global Communications System in Geostationary Orbit*, Memorandum Opinion

*Lockheed/Comsat/Intelsat Order*<sup>18</sup> and in the *Loral/Intelsat Order*,<sup>19</sup> that Intelsat LLC's ultimate parent principally conducts business in and from Bermuda and from other WTO Member countries.<sup>20</sup> The Bureau also found that the vast majority of foreign equity and voting interests in Intelsat were held by investors from WTO Member countries.<sup>21</sup> The Applicants assert in their Petition for Declaratory Ruling that the corporate structure and ownership of Intelsat and all of its subsidiaries have not changed materially since the *Loral/Intelsat Order*.<sup>22</sup> Based on our review of the record and the representations made by the Applicants, we conclude that Intelsat LLC and Intelsat MTC LLC are entitled to a rebuttable presumption that their indirect foreign ownership by and through Intelsat and Intelsat (Bermuda), Ltd. does not raise competitive concerns, and there is no evidence in the record that would rebut this presumption. We also determine that the commitments and undertakings Intelsat LLC, Intelsat MTC LLC, and IGSC made in the Intelsat Commitment Letter address and resolve other factors relevant to our public interest analysis under sections 214 and 310(b)(4).<sup>23</sup> Accordingly, we grant the Petition for Declaratory Ruling to permit the foreign ownership of Intelsat LLC and Intelsat MTC LLC by Intelsat and through Intelsat (Bermuda), Ltd. (up to and including 100 percent of equity and voting interests) and by Intelsat's foreign shareholders identified in the application.<sup>24</sup> We extend the provisions of our declaratory ruling in the *Loral/Intelsat Order* to Intelsat LLC and Intelsat MTC LLC.<sup>25</sup>

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and Order and Authorization, 15 FCC Rcd 15460, 15483, ¶¶ 44-55 (2000) ("*Intelsat LLC Licensing Order*"), recon. denied, 15 FCC Rcd 25234 (2000).

<sup>18</sup> *Lockheed/Comsat/Intelsat Order*, 17 FCC Rcd at 27755, ¶¶ 35-46.

<sup>19</sup> *Loral Satellite, Inc. (Debtor-in-Possession) and Loral SpaceCom Corporation (Debtor-in-Possession), Assignors and Intelsat North America, LLC, Assignee, Applications for Consent to Assignment of Space Station Authorizations and Petition for Declaratory Ruling under Section 310(b)(4) of the Communications Act of 1934, as amended*, Order and Authorization, 19 FCC Rcd 2404 (Int'l Bur. 2004) ("*Loral/Intelsat Order*").

<sup>20</sup> See, e.g., *Lockheed/Comsat/Intelsat Order*, 17 FCC Rcd at 27757, ¶ 38.

<sup>21</sup> *Id.*

<sup>22</sup> Petition for Declaratory Ruling, at 14. According to the Applicants, Lockheed Martin Corporation, a U.S. company and Intelsat's largest minority shareholder, holds more than 20 percent of the total shares of Intelsat, Ltd. They further state that the remaining ownership interests in Intelsat, Ltd. remain widely dispersed among more than 220 entities, representing more than 145 nations. Additionally, they state that currently, entities from WTO countries hold approximately 94 percent of shares of Intelsat, Ltd. and its subsidiaries, and that indirect foreign government ownership is approximately 30 percent. *Id.* at 14-15.

<sup>23</sup> The Commission considers national security, law enforcement, foreign policy, and trade policy concerns when analyzing a transfer of control or assignment application in which foreign ownership is an issue. See *Amendment of the Commission's Regulatory Policies to Allow Non-U.S. Licensed Satellites Providing Domestic and International Service in the United States*, Report and Order, 12 FCC Rcd 24094, 24170-72, ¶¶ 178-182 (1997) ("*DISCO II Order*"); *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market*, Report and Order and Order on Reconsideration, 12 FCC Rcd 23891, 23919-921, ¶¶ 61-66 (1997), Order on Reconsideration, 15 FCC Rcd 18158 (2000) ("*Foreign Participation Order*"). In assessing the public interest, the Commission considers the record and accords the appropriate level of deference to Executive Branch expertise on national security and law enforcement issues. See *Foreign Participation Order*, 12 FCC Rcd at 23919-921, ¶¶ 61-66.

<sup>24</sup> See Petition for Declaratory Ruling, Attachment 3: Ownership Information.

<sup>25</sup> *Loral/Intelsat Order*, 19 FCC Rcd at 2415, ¶ 26.

Finally, consistent with Commission precedent, the Bureaus accord the appropriate level of deference to the Executive Branch Agencies' expertise on national security and law enforcement issues.<sup>26</sup> According to the Petition submitted by the Executive Branch Agencies, the Intelsat Commitment Letter addresses the Executive Branch Agencies' stated concerns regarding national security, law enforcement, and public safety. Accordingly, we grant the Petition filed by the Executive Branch Agencies and grant the subject applications subject to compliance by Intelsat LLC, Intelsat MTC LLC, and IGSC with the terms of the Intelsat Commitment Letter.

The transaction shall be completed within 60 days from the date of authorization.<sup>27</sup> Within 30 days of consummation, the Commission shall be notified by letter of the date of consummation and the file numbers of the applications involved in the transaction.<sup>28</sup> Failure to comply with all relevant Commission rules, policies, or any specific condition to the grant of these Applications will result in automatic rescission of the Commission's approval, dismissal of the underlying application, and could subject the applications to enforcement action, including but not limited to the imposition of forfeitures.

Pursuant to section 1.103 of the Commission's rules, the grant is effective upon release of this Public Notice.<sup>29</sup> Petitions for reconsideration under section 1.106 or applications for review under section 1.115 of the Commission's rules may be filed within 30 days of this Public Notice.<sup>30</sup>

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<sup>26</sup> *DISCO II Order*, 12 FCC Rcd at 24170-72, ¶¶ 178-182; *Foreign Participation Order*, 12 FCC Rcd 23891, 23919-21, ¶¶ 61-66.

<sup>27</sup> 47 C.F.R. § 25.119(f).

<sup>28</sup> *Id.*; see also 47 C.F.R. § 1.948(d).

<sup>29</sup> 47 C.F.R. § 1.103.

<sup>30</sup> 47 C.F.R. §§ 1.106, 1.115.

## Appendix A

### Section 310 Applications

#### *Part 25 – Satellite Communications*

<u>File Number</u>	<u>Assignor</u>	<u>Assignee</u>	<u>Call Sign</u>
SES-ASG-20040528-00744	Lockheed Martin Global Telecommunications, LLC	Intelsat MTC LLC	E960186 E960187
SES-ASG-20040528-00750	Comsat General Corp.	Intelsat LLC	E970053
SES-ASG-20040528-00751	Comsat General Corp.	Intelsat LLC	E980015 E980016 E980019 E980217 E990303
SAT-ASG-20040528-00109	Comsat General Corp	Intelsat LLC	MARISAT F2

#### *Part 90 --Private Land Mobile License*

<u>File Number</u>	<u>Assignor</u>	<u>Assignee</u>	<u>Call Sign</u>
0001743676	COMSAT General Corporation	Intelsat LLC	WPYJ473

### International Section 214 Authorization

<u>File Number</u>	<u>Assignor</u>	<u>Assignee</u>	<u>Authorization Number</u>
ITC-ASG-20040528-00235	Lockheed Martin Global Telecommunications, LLC	Intelsat MTC LLC	ITC-214-19961230-00657

### Petition for Declaratory Ruling

#### File Number

ISP-PDR-20040528-00005

**Appendix B**

**Intelsat Commitment Letter**

October 5, 2004

Ms. Laura H. Parsky  
Deputy Assistant Attorney General  
Office of the Assistant Attorney General  
Criminal Division – Room 2113  
United States Department of Justice  
950 Pennsylvania Avenue, NW  
Washington, DC 20530-0001

Ms. Tina W. Gabbrielli  
Director of Intelligence Coordination and  
Special Infrastructure Protection Programs  
Office of Infrastructure Protection  
U.S. Department of Homeland Security  
Washington, DC 20528

Mr. Patrick W. Kelley  
Deputy General Counsel  
Federal Bureau of Investigation  
935 Pennsylvania Avenue, NW  
Washington, DC 20535

**Re: Proposed Acquisition of Assets of COMSAT General Corporation,  
Lockheed Martin Global Telecommunications, LLC, and COMSAT  
New Services, Inc. by Intelsat LLC, Intelsat MTC LLC, and Intelsat  
Government Solutions Corporation**

Dear Ms. Parsky, Ms. Gabbrielli and Mr. Kelley:

On behalf of our clients, Intelsat LLC, Intelsat MTC LLC, and Intelsat Government Solutions Corporation (“IGS”), (collectively, the “Intelsat Assignees”),<sup>1</sup> and COMSAT General Corporation (“COMSAT General”), Lockheed Martin Global Telecommunications, LLC (formerly known as COMSAT Government Systems, LLC and Regulus, LLC) (“LMGT”), and COMSAT New Services, Inc. (“CNSI”) (collectively, the “COMSAT General Businesses”), we appreciate the opportunity

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<sup>1</sup> For purposes of this letter, “Intelsat” is defined as Intelsat, Ltd. and all of its subsidiaries. Intelsat Ltd. and IGS are parties to the transaction agreement but not to the FCC applications.



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to confer with representatives of the Federal Bureau of Investigation ("FBI"), the Department of Justice ("DOJ"), and the Department of Homeland Security ("DHS") about the Intelsat Assignees' proposed acquisition of substantially all of the assets of the COMSAT General Businesses. This letter responds to your request for certain information about these assets and the Federal Communications Commission ("FCC") authorizations that the Intelsat Assignees intend to acquire.

## **I. Introduction**

The COMSAT General Businesses, together with Intelsat LLC and Intelsat MTC LLC, have submitted to the FCC applications requesting approval of the COMSAT General Businesses' assignment of: (a) certain Title III radio licenses and other assets to Intelsat LLC; and (b) certain Title III radio licenses, an international Section 214 authorization, and other assets to Intelsat MTC LLC. These assignments will be carried out in connection with the Intelsat Assignees' proposed acquisition of substantially all of the assets of the COMSAT General Businesses.

## **II. Description of the Parties and the Transaction**

### ***A. Intelsat***

Intelsat owns and operates a global satellite system that provides bulk space segment capacity to other companies for a wide array of communications services, including voice, video, data, and Internet connections.<sup>2</sup> The Intelsat fleet of satellites offers this capacity in approximately 200 countries and territories, serving customers that range from large telecommunications carriers and broadcasters to corporate networks and Internet service providers. These customers include distributors that resell bulk satellite capacity, as well as customers that lease satellite capacity for their own use.

Historically, because Intelsat was an inter-governmental organization, it could not hold FCC licenses and authorizations. As a result of its 2001 privatization, Intelsat has been able to obtain satellite licenses that authorize it to operate the Intelsat satellite fleet.

Although IGS recently obtained a global facilities-based and resale international Section 214 authorization, neither IGS nor any other Intelsat entity (including

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<sup>2</sup> A description of the relevant portion of Intelsat's corporate structure is provided in Section II.C.1 below. Intelsat also offers space segment combined with terrestrial services, such as teleport services.

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Intelsat, Ltd.) provides or has any plans to provide common carrier switched services.<sup>3</sup> As noted in prior correspondence with DOJ, DHS and the FBI, because Intelsat has not provided common carrier switching services, it has not been a logical or likely candidate for requests to assist U.S. law enforcement agencies with electronic surveillance requests. In past Intelsat acquisitions,<sup>4</sup> DOJ, DHS and the FBI have not required Intelsat to enter into Network Security Agreements. Because Intelsat does not plan to provide common carrier switched services (domestic or international) following acquisition of the COMSAT General Businesses, it believes it will remain an unlikely candidate for such requests. As provided below, Intelsat will notify DOJ, DHS and the FBI before offering any common carrier switched services.

#### ***B. COMSAT General Businesses***

COMSAT General, a Delaware corporation, and LMGT, a Delaware limited liability company, are wholly owned subsidiaries of Lockheed Martin Corporation (“Lockheed Martin”), a Maryland corporation and publicly traded U.S. company. CNSI, a Delaware corporation, is a wholly owned subsidiary of COMSAT Corporation, a District of Columbia corporation, which in turn is a wholly owned subsidiary of LMGT. The COMSAT General Businesses provide integrated satellite-centric communications services to commercial and government users using satellite capacity purchased from Intelsat and other operators. The vast majority of these services consist of international private lines provided on an end-to-end basis between two customer premises equipped with dedicated earth stations. A limited amount of satellite-based mobile service is also provided by reselling satellite capacity and facilities obtained from other operators. In addition, the

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<sup>3</sup> *Global Facilities—Based and Resale Section 214 Authorization for IGS*, File No. ITC-214-20040528-00213 (granted July 9, 2004). IGS obtained this authorization to facilitate provision of international common carrier private line services to its customers.

<sup>4</sup> See *Lockheed Martin Corporation, COMSAT Corporation and COMSAT Digital Teleport, Inc., Assignors and Intelsat, Ltd., Intelsat (Bermuda), Ltd., Intelsat LLC, and Intelsat USA License Corp., Assignees Application for Assignment of Earth Station and Wireless Licenses and Section 214 Authorizations and Petitions for Declaratory Ruling, Order and Authorization*, 17 FCC Rcd 27732, 27763 (2002); *Loral Satellite, Inc. (Debtor-in-Possession) and Loral SpaceCom Corporation (Debtor-in-Possession), Assignors and Intelsat North America, LLC, Assignee, Applications for Consent to Assignments of Space Station Authorizations and Petition for Declaratory Ruling Under Section 310(b)(4) of the Communications Act of 1934, as Amended*, 19 FCC Rcd 2404, 2422 (2004) (“*Intelsat/Loral Order*”).

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COMSAT General Businesses provide value-added services such as bandwidth management and host nation agreement management.

To support the COMSAT General Businesses, COMSAT General and LMGT hold several Title III licenses and an international Section 214 authorization. Like Intelsat, however, the COMSAT General Businesses provide no domestic or international common carrier switched services.

***C. The Transaction and the Related Ownership Structure***

The Intelsat Assignees propose to acquire certain assets of the COMSAT General Businesses. The contemplated acquisition would occur under the terms of an Asset Purchase Agreement entered into on May 11, 2004 by and among COMSAT General, LMGT, CNSI, IGS, Intelsat MTC LLC, and Intelsat, Ltd. The total agreed purchase price is approximately \$100 million, including approximately \$40 million that may be paid in the form of ordinary shares of Intelsat, Ltd. Closing is contingent upon receipt of all necessary government approvals.

Upon the closing of the proposed transaction, the operating assets of the COMSAT General Businesses, including its FCC licenses and authorizations, will be assigned to two wholly owned subsidiaries of Intelsat, Ltd. Intelsat LLC will receive the private land mobile radio license, the geostationary satellite space station license, and six of the Title III earth station licenses. Intelsat MTC LLC will receive two of the Title III earth station licenses and an international Section 214 authorization.

Among other things, the transferred assets will include government contracts, the overwhelming majority of which will be held by IGS, an existing Delaware subsidiary of Intelsat USA Sales Corp. that serves a wide range of commercial and governmental customers. The acquisition of certain of these government contracts required Intelsat, Ltd., a Bermudan entity with numerous non-U.S. shareholders, to submit to the Defense Security Service ("DSS") a "foreign ownership, control, or influence" negation action plan ("FOCI Mitigation Plan") to address any national security concerns of the United States. In accordance with the FOCI Mitigation Plan, Intelsat has agreed to govern IGS pursuant to the terms of a Proxy Agreement approved by DSS, which the parties are required to sign prior to the closing of the proposed transaction. All of IGS' businesses—both commercial and governmental—will be subject to the Proxy Agreement.

Under the terms of the Proxy Agreement, all three of IGS' "Proxy Holders" will (a) serve on the Board of Directors of IGS, (b) be resident citizens of the U.S., and (c) have no contractual, financial, or employment relationship with Intelsat or any

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affiliate other than IGS. IGS will obtain all security clearances and accesses necessary to conduct its business after closing, and will be registered with the Directorate of Defense Trade Controls of the U.S. Department of State. IGS will hold its DDTC registration as a U.S. Person and not as a subsidiary, division, or affiliate of a "Foreign Person"<sup>5</sup>. The Proxy Agreement (and ancillary agreements required by DSS) are designed to ensure the decision-making autonomy of IGS and that Intelsat and its affiliates will have only limited, supervised access to financial and business information about IGS. This arrangement is expressly designed to insulate IGS from foreign influence.

*1. Corporate Structure of the Intelsat Assignees:*

Intelsat LLC, the proposed holder of most of the Title III licenses in this transaction, already holds the majority of Intelsat's satellite licenses.<sup>6</sup> It is a Delaware limited liability company with a holding company ownership structure common to U.S.-licensed international satellite systems. Intelsat LLC is wholly owned and controlled by Intelsat Holdings LLC ("Intelsat Holdings"), also a Delaware limited liability company. Intelsat Holdings, in turn, is wholly owned by Intelsat (Bermuda), Ltd., a company incorporated under the laws of Bermuda. Intelsat (Bermuda), Ltd. is wholly owned by Intelsat, Ltd., also a company incorporated under the laws of Bermuda.

The Title III licenses and other assets proposed to be transferred to Intelsat LLC will not involve Intelsat LLC in any common carrier switched services. Moreover, the COMSAT General Businesses will be subject to the corporate structural arrangements, especially the establishment of a board-level Security Committee, which were made in connection with Intelsat's 2003 acquisition of certain assets of Loral Satellite, Inc. and Loral SpaceCom Corporation and, which remain in effect. The Security Committee, which is composed exclusively of U.S. citizens, has sole jurisdiction over security issues, and by agreement among Intelsat, Ltd., Intelsat Global Service Corporation ("IGSC"), and DOJ, DHS and the FBI, serves as the locus for U.S. government requests for cooperation.<sup>7</sup> Post-transaction, the Security

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<sup>5</sup> See the International Traffic In Arms Regulations, 22 C.F.R. part 120.

<sup>6</sup> Intelsat North America LLC, a company that is wholly owned and controlled by Intelsat LLC, holds the remaining satellite licenses recently acquired from Loral Satellite, Inc. and Loral SpaceCom Corporation.

<sup>7</sup> *Intelsat/Loral Order*, 19 FCC Rcd at 2422 and Appendix C. Although the Loral assets were transferred to Intelsat LLC, the Security Committee was established by amendment of the by-laws of IGSC. IGSC is a sister company of Intelsat LLC and was chosen because its personnel exercise

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Committee will be the point of contact for any law enforcement, national security, public safety, or infrastructure protection issues that involve any of the COMSAT General Businesses, including those transferred to IGS. A government agency requesting cooperation relating to IGS or Intelsat MTC LLC will also have the option of addressing its request directly to the Proxy Holders of IGS, who, as noted, will have operational autonomy and will all be U.S. citizens.

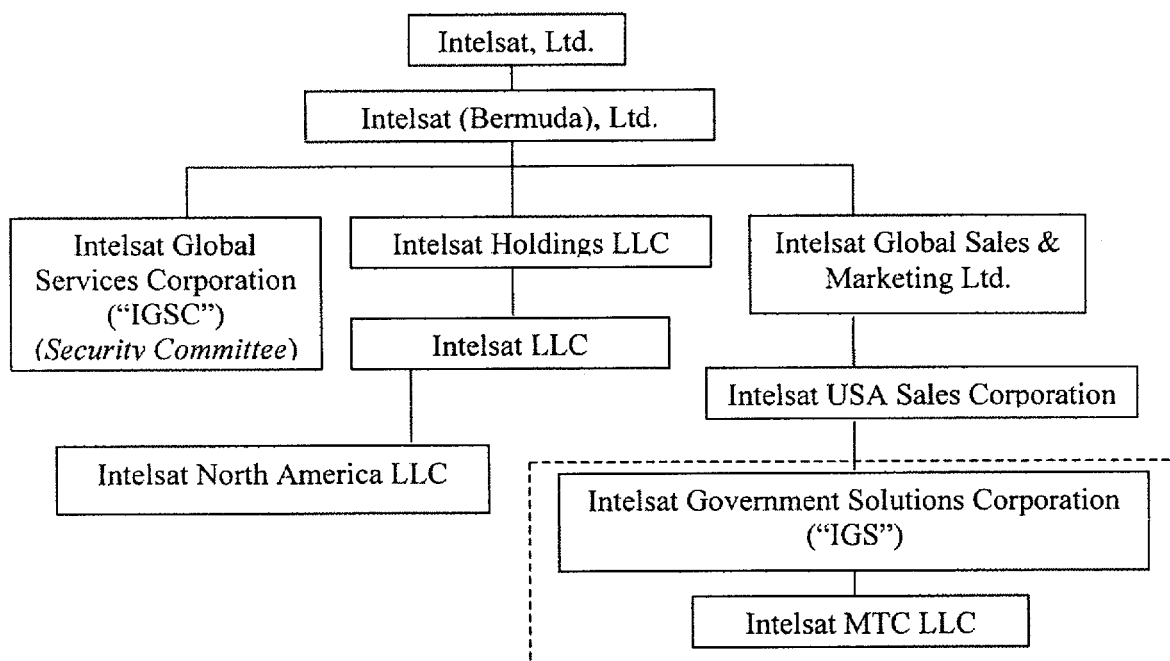
Intelsat MTC LLC, the proposed holder of the international Section 214 authorization in this transaction and two of the Title III earth station authorizations, is a Delaware limited liability company with a U.S. holding company ownership structure similar to that of Intelsat LLC. Intelsat MTC LLC is wholly owned and controlled by IGS, a Delaware corporation. IGS is wholly owned by Intelsat USA Sales Corp., which is also a Delaware corporation. Intelsat USA Sales Corp. is, in turn, wholly owned by Intelsat Global Sales and Marketing Ltd., a company incorporated under the laws of England and Wales. Intelsat Global Sales and Marketing Ltd. is wholly owned by Intelsat (Bermuda), Ltd., which itself is wholly owned by Intelsat, Ltd. As noted above, Intelsat, Ltd. and Intelsat (Bermuda), Ltd., are both Bermuda companies.

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(Continued . . .)

actual operational control over the assets owned by Intelsat LLC. The existing structural arrangements will apply equally to the COMSAT General Businesses' licenses after the transaction, since the assets are being transferred to Intelsat LLC, which remains under the operational control of IGSC.

**Intelsat Corporate Structure**



----- Indicates entities  
subject to the Proxy Agreement

**2. Controlling Interests**

Lockheed Martin, a Maryland corporation the shares of which are publicly traded on the New York Stock Exchange, is by far the largest single shareholder in Intelsat, Ltd. Lockheed Martin holds approximately 24.0 percent of the total Intelsat, Ltd. shares. The second largest Intelsat shareholder owns less than 5.5 percent of the total shares,<sup>8</sup> and the remaining ownership interests in Intelsat are widely dispersed among more than 220 entities, representing over 145 nations.

<sup>8</sup> Videsh Sanchar Nigam Ltd. ("VSNL") of India owns approximately 5.4 percent of the outstanding Intelsat, Ltd. shares. VSNL is also traded on the New York Stock Exchange via American Depositary Receipts ("ADRs"). The third largest shareholder, France Telecom, owns approximately 4.3 percent of the shares, and Telenor Broadband Services and British Telecommunications, who are the fourth and fifth largest shareholders, own approximately 4.1 and 3.8 percent of the outstanding shares, respectively. All three of these companies, or their parent companies, are publicly traded on U.S. exchanges through ADRs.

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The ownership of Intelsat has not materially changed during the past three years—although Intelsat notes that, in some cases, the percentage of shares held by foreign government-controlled entities has decreased. As DOJ, DHS and the FBI are well aware, Intelsat has already privatized, consistent with statutory requirements, and is currently under a statutory obligation to conduct an initial public offering.<sup>9</sup>

Finally, all of the executive officers of Intelsat, Ltd. are U.S. citizens. Thus, although its ultimate parent corporation is organized under the laws of Bermuda, the Intelsat Assignees are U.S. legal entities managed by American citizens and not under management control of any foreign person, private or governmental. The largest single shareholder in the foreign parent corporation is a U.S. corporation. Intelsat's operations are headquartered in Washington, DC.

### **III. International Section 214 Authorization**

LMGT holds an international Section 214 authorization to provide international services on a resale basis, enabling LMGT to provide end-to-end services via satellite. Customers are responsible for any necessary data processing, including switching. Moreover, any of LMGT's customers that offer common carrier services to the public are required to obtain their own Section 214 authorizations from the FCC.

As noted above, Intelsat MTC LLC will receive LMGT's international Section 214 as a result of this transaction. Nonetheless, because neither Intelsat MTC LLC nor any other Intelsat entity has any plans to provide common carrier switched services, and would do so only after first notifying DOJ, DHS and the FBI, Intelsat will remain an unlikely candidate for requests to assist U.S. law enforcement agencies with electronic surveillance.

### **IV. Title III Radio Licenses**

The COMSAT General Businesses collectively hold Title III radio licenses to operate various U.S. earth stations. COMSAT General holds a non-common carrier geostationary satellite space station license under the call sign MARISAT (a/k/a

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<sup>9</sup> See Open-Market Reorganization for the Betterment of International Telecommunications Act, Pub. L. No. 106-180, 114 Stat. 48 § 621(5)(A)(i) (2000), *as amended*, Pub. L. No. 107-233 (2002), *as amended*, Pub. L. No. 108-228 (2004) (establishing June 30, 2005 as the deadline for completion of the IPO but permitting the FCC to extend Intelsat's IPO deadline until December 31, 2005).

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Marisat F-2), to operate at 33.9° W.L. In addition, it holds a private land mobile radio authorization under the call sign WPYJ473, which is not used for common carrier service, but only for private, internal communications.

The COMSAT General Businesses do not provide domestic or international common carrier switched services via equipment authorized under these Title III licenses. Likewise, Intelsat has no plans to provide common carrier switched services via these facilities post-closing.

\* \* \*

Based on the foregoing, it seems unlikely that law enforcement or other U.S. government authorities would find it useful to work through the Intelsat Assignees to address surveillance concerns and related matters with respect to traffic that relies on the Intelsat satellites or the services that the Intelsat Assignees will provide upon acquisition of the assets described above. In the event that there is a need to use the Intelsat Assignees' facilities to conduct lawfully authorized surveillance, the Intelsat Assignees will take all reasonable measures to assist and support the FBI or any other United States federal, state or local agency with law enforcement or national security responsibilities in conducting lawfully authorized electronic surveillance. Such assistance shall include, but not be limited to, disclosure, if necessary, of technical and engineering information relating to the design, maintenance or operation of the Intelsat Assignees' systems. The Intelsat Assignees and the agency seeking the cooperation will work together in determining what is reasonable, taking into account the investigative needs of the agency and the Intelsat Assignees' commercial interests. The Intelsat Assignees agree to maintain the Security Committee described above and to grant it sole jurisdiction over requests for cooperation regarding the COMSAT General Businesses on the same terms agreed in Intelsat's acquisition of certain assets of Loral Satellite, Inc. and Loral SpaceCom Corporation.

Going forward, the Intelsat Assignees undertake to provide DOJ, DHS and the FBI with advance notice of the use of any of the transferred assets to provide any common carrier switched services. For any future service requiring additional Section 214 authorization, the Intelsat Assignees will provide the DOJ, DHS and the FBI a copy of any application filed with the FCC. For any future common carrier switched service, like domestic U.S. switched service, that may be provided without obtaining a new Section 214 authorization, the Intelsat Assignees will notify DOJ, DHS and the FBI 30 days before offering any such service. Similarly, the Intelsat Assignees will notify the DOJ, DHS and the FBI 30 days in advance of beginning to



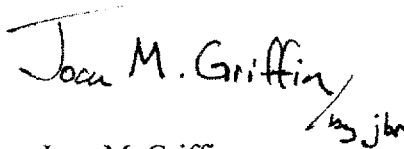
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use any of the equipment subject to transferred Title III licenses for the provision of common carrier switched services.

Please contact the undersigned if you require any further information. Thank you for your attention to this matter.

Sincerely,



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