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APR 26 1995

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April 26, 1995

Received

APR 28 1995

Satellite Engineering Branch
International Bureau

By Hand Delivery

William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Final Analysis Communications Services, Inc.
File No. 25-SAT-P/LA-95
NVNG MSS Application

Dear Mr. Caton:

On April 25, 1995, this office filed, on behalf of Leo One USA Corporation ("Leo One USA"), a "Reply to Consolidated Opposition to Petition to Deny" ("Reply") in connection with the above-referenced application of Final Analysis Communications Services, Inc. for authority to construct, launch and operate a Non-Voice, Non-Geostationary Mobile Satellite System. Attachment 1 to the original Reply included facsimile copies of an April 24, 1995 Memorandum of Record and Declaration of David G. Watkins, partner in KPMG Peat Marwick. Mr. Watkins' original Declaration and Memorandum of Record have been received by the undersigned, and they are submitted herewith for association with Leo One USA's original Reply.

Should there be any questions concerning this matter, please contact Robert Mazer, Esquire, of this office or the undersigned.

Very truly yours,


Shelley Sadowsky
Member, Maryland Bar Only

Enclosure
cc w/enc: Attached Service List

Memorandum for Record

Date April 24, 1995

Subject **Leo One USA Corporation Treatment of Experimental Satellite Costs**

St. Louis Office

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During a recent conversation with Brian Clark, Vice President for Leo One USA Corporation (the Company), he informed me of the following information related to expenditures anticipated to be made by the Company in its efforts to build a experimental satellite.

Facts:

- The Company is considering spending several million dollars on an experimental satellite to evaluate system performance and operations.
- The Company has filed an application for the use of frequencies to perform this experimental work, and anticipates the experimental application will be granted by the Federal Communications Commission.

Question:

- What is the treatment of the costs associated with the construction, launch and monitoring of this experimental satellite on the books of the Company?

Conclusion:

If the expenditures anticipated to be made by the Company exhibit the characteristics described below for research and development costs, these costs shall be expensed as incurred. The Company shall not treat the experimental satellite and its associated costs as a current asset (e.g., inventory) or a long-term asset (e.g., property and equipment). The total research and development costs charged to expense, in each period for which an income statement is presented, shall be disclosed.

This conclusion is based on guidance found in the *Financial Accounting Standards Board, Current Text*, Section R50, "Research and Development." The accounting for research and development costs encompassed by Section R50 shall be charges to expense when incurred.

Section R50 defines research as the "planned search of critical investigation aimed at discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service, or a new process or technique, or in bringing about a significant improvement to an existing product or process." Development is "the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product of process whether intended for sale or use. It includes the conceptual formulation, design, and testing of product alternatives, construction of prototypes, and operation of pilot plants."

A process, as described above, may be a system whose output is to be sold, leased, or otherwise marketed to others. A process also may be used internally as a part of a manufacturing activity or a service activity where the service itself is marketed.

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Section R50 goes on to address the financial statement treatment of elements of costs associated with research and development. It indicates that materials, equipment, and facilities acquired or constructed for a particular research and development project, for which no alternative future uses exist (in other research and development projects or otherwise) and therefore no separate economic values, are research and development costs at the time the costs are incurred.

A handwritten signature in black ink, appearing to read "David G. Watkins". The signature is fluid and cursive, with a large initial "D" and a stylized "W".

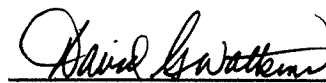
David G. Watkins, Partner

DECLARATION

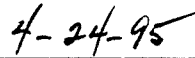
I, David G. Watkins, hereby declare under penalty of perjury as follows:

1. I am a Partner in the St. Louis, Missouri, office of KPMG Peat Marwick LLP.
2. On behalf of Leo One USA Corporation, I prepared the attached Memorandum for Record, dated April 24, 1995.
3. The statements contained in the referenced Memorandum for Record are true and correct to the best of my knowledge, information and belief.

The foregoing statements are true and correct.



David G. Watkins



Date

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* Hand Delivery