



- A monthly round-up of space industry developments for the information of our clients and friends -

FCC Reverse DBS Rulemaking

The U.S. *Federal Communications Commission* (FCC) is proposing to make available additional spectrum in the 17.3-17.7 and 24.75-35.35 gigahertz frequency bands for Direct Broadcast Satellite (DBS) services. The FCC believes that the spectrum, known as the "**reverse DBS band**" because it permits uplinking in frequencies currently used for DBS downlinking and vice versa, will produce a new generation of video, audio and data multimedia services. *EchoStar Communications Corp.*, *DIRECTV Inc.*, *Intelsat Ltd.* and *Pegasus Development DBS Corp.* have each submitted applications to the FCC for satellite licenses using the reverse DBS band, and industry analysts regard the spectrum as particularly valuable to DBS providers EchoStar and DIRECTV to permit for bundling of satellite-based broadband Internet and other data services with their existing bouquet of video and audio offerings. The FCC is also soliciting comments from interested parties as to whether the spectrum should be allocated on a first-come, first-served basis, via auction or by other criteria; appropriate orbital spacing requirements for satellites operating in the reverse DBS band (existing 9 degree vs. possible 4.5 degree separation); and market entry/licensing considerations for non-U.S. satellite operators.

France Telecom & Thales Dispositions

As part of its initiative to exit consumer and non-core businesses, *Thales Group* announced on July 20 the sale of its satellite navigation division for \$170 million to a private equity consortium led by *Shah Capital Partners* and including the *Tudor Group*, *Galleon Management*, *Consolidated Press Holdings*, *AIG SunAmerica* and *Westwood Holdings* as minority investors. To be renamed *Magellan Navigation, Inc.*, the business includes a joint venture with *Hertz* for in-car navigation systems and the *ProMark GPS* professional surveying product line. On July 24, *France Telecom* announced that a consortium of private equity investors led by Inmarsat and Intelsat investor *Apax Partners* was acquiring its mobile satellite communications division for €60 million. The Paris-based company has a 20% share of the mobile satellite services distribution market (*Inmarsat*, *Thuraya*, *Iridium* and *Globalstar*) and reported 2005 revenues of €165 million. The transaction is expected to accelerate consolidation among the legacy Inmarsat service distributors, since its wholesale pricing structure favors larger companies due to discounts based on annual sales thresholds.

Globalstar Reveals IPO Plans

In a July 17 filing with the *U.S. Securities and Exchange Commission*, *Globalstar Inc.*, indicated its plans to raise \$100 million through an initial public offering to be underwritten by *Wachovia Capital Markets*. The IPO proceeds, along with \$200 million in equity raised earlier this year from existing investor *Thermo Capital Partners* and \$200 million in debt, including a loan and revolving credit underwritten by *Wachovia Securities*, will be applied towards the launch of eight existing spare satellites, ground station upgrades and the construction of Globalstar's next generation satellite system. In an unrelated development, Globalstar recently filed an application with the U.S. *Federal Communications Commission* to use the remaining 27.85 MHz of its assigned mobile satellite service spectrum, in addition to the currently authorized 11 MHz in the 1.6/2.4 GHz band, for hybrid space segment and Ancillary Terrestrial Component services in the United States.

Kompsat-2 Successfully Launched

On July 28, a *Rocket* vehicle with a *Breeze-KM* upper stage launched the *Korea Aerospace Research Institute's Kompsat-2 (Arirang-2)* high resolution commercial and environmental imaging satellite from the *Plesetsk Cosmodrome* in northern Russia. The spacecraft, manufactured with support from *EADS Astrium*, is equipped with an optical sensor supplied by Israel's *Elop Electro-Optics Industries, Ltd* and is equipped with a 1-meter panchromatic and 4 meter multispectral optical imager and will operate in sun-synchronous 685-kilometer orbit. The successful launch marks the return to flight for *Eurockot Launch Services GmbH*, which markets the converted *SS-19* ballistic missile integrated by the *Khrunichev State Research and Production Center*, following an October 2005 failure involving the \$170 million European *Cryosat* civil spacecraft.

World Summit for Satellite Financing

As part of *Euroconsult's World Satellite Business Week*, the 2006 *World Summit for Satellite Financing* will be held at the Westin Hotel in Paris on Sept. 5-7. The conference will be preceded by a seminar on market forecasts on Sept. 6 and followed by the World Space Risk & Insurance Forum on the afternoon of Sept. 7. Last year's conference attracted over 450 industry executives and included 90 speakers representing all sectors of the commercial space industry. *Milbank* is proud to once again be an official partner for this highly-regarded industry event.

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