

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. Gabrielli
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. Gabrielli and Mr. Kelley:

On behalf of our clients, Intelsat LLC, Intelsat MTC LLC, and Intelsat Government Solutions Corporation (“IGS”), (collectively, the “Intelsat Assignees”),¹ 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

¹ 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.² 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

² 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.³ 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,⁴ 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

³ *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.

⁴ *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"⁵. 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.⁶ 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.⁷ Post-transaction, the Security

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

⁶ 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.

⁷ *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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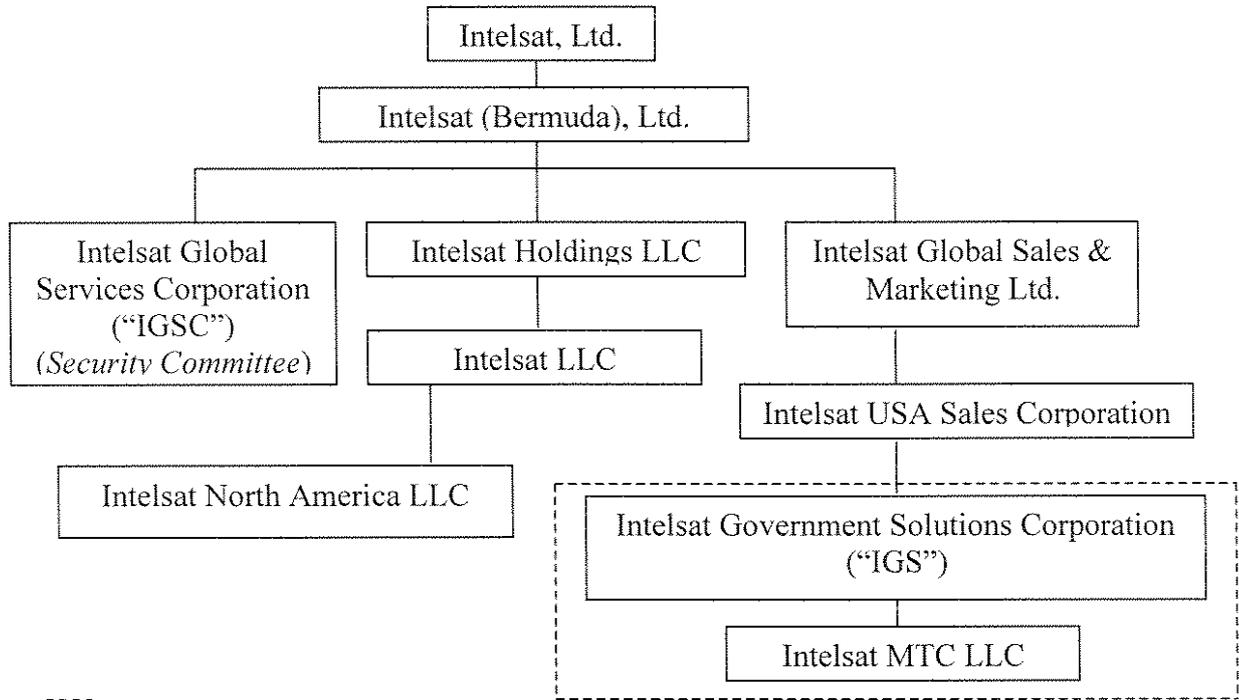
Committee will be the point of contact for any law enforcement, national security, public safety, or infrastructure protection issues that involve any of the COMSAT General Businesses, including those transferred to IGS. A government agency requesting cooperation relating to IGS or Intelsat MTC LLC will 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.

(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,⁸ and the remaining ownership interests in Intelsat are widely dispersed among more than 220 entities, representing over 145 nations.

⁸ 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.⁹

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

⁹ 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

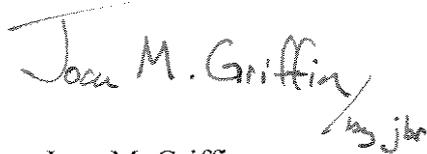
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use any of the equipment subject to transferred Title III licenses for the provision of common carrier switched services.

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

Sincerely,



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cc: John R. LoGalbo, DOJ
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