

PanAmSat Holding CORP  
Form 10-Q  
May 11, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2006

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-32456

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**PANAMSAT HOLDING CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**20-1728720**  
(I.R.S. Employer Identification No.)

**20 Westport Road, Wilton, Connecticut**  
(Address of principal executive offices)

**06897**  
(Zip Code)

**(203) 210-8000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of May 8, 2006, there were 122,598,093 outstanding shares of the registrant's common stock, par value \$0.01 per share.

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## PANAMSAT HOLDING CORPORATION

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*In this Quarterly Report on Form 10-Q, unless the context otherwise requires or it is otherwise indicated, all references to (1) "Holdco", "we", "us" and "our" refer to PanAmSat Holding Corporation and its subsidiaries and (2) "PanAmSat" refers to PanAmSat Corporation, Holdco's direct subsidiary.*

### **CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

This Quarterly Report on Form 10-Q contains certain forward-looking statements, including, without limitation, statements concerning the conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business and growth strategy and service development efforts. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. When used in this Quarterly Report on Form 10-Q, the words "may", "might", "should", "estimate", "project", "plan", "anticipate", "expect", "intend", "outlook", "believe" and other similar expressions are intended to identify forward-looking statements and information. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain and subject to a number of risks and uncertainties. These risks and uncertainties include, without limitation, those identified in "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Market Risks" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. Reference is also made to such other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission ("SEC").

The following list represents some, but not necessarily all, of the factors that could cause actual results to differ from historical results or those anticipated or predicted by these forward-looking statements:

the ability of our subsidiaries to make distributions to us in amounts sufficient to make required interest and principal payments on our outstanding indebtedness and future dividend payments to our stockholders;

failure to complete our pending merger with Intelsat and the resulting impact on our businesses and financial results;

risks associated with operating our in-orbit satellites;

satellite launch failures, satellite launch and construction delays and in-orbit failures or reduced performance;

our ability to obtain new or renewal satellite insurance policies on commercially reasonable terms or at all;

possible future losses on satellites that are not adequately covered by insurance;

domestic and international government regulation;

changes in our contracted backlog or expected contracted backlog for future services;

pricing pressure and overcapacity in the markets in which we compete;

inadequate access to capital markets;

competition;

customer defaults on their obligations owed to us;



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our international operations and other uncertainties associated with doing business internationally;

our high level of indebtedness;

limitations on our ability to pursue growth opportunities as a result of our dividend policy; and

litigation.

We caution you that the foregoing list of important factors is not exclusive. In light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this quarterly report may not in fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. Reference is also made to such risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission ("SEC").

### **WEB SITE ACCESS TO COMPANY'S REPORTS**

Our Internet Web site address is *www.panamsat.com*. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our Web site as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Our Corporate Governance Guidelines, Board of Directors committee charters (including the charters of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee) and code of ethics are available at that same location on our Web site. Information on our Web site, however, is not a part of this quarterly report on Form 10-Q.

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

## PANAMSAT HOLDING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2006

(IN THOUSANDS, EXCEPT SHARE DATA)

	March 31, 2005	March 31, 2006
<b>REVENUES:</b>		
Operating leases, satellite services and other	\$ 205,201	\$ 210,237
Outright sales and sales-type leases	3,607	2,992
	<u>208,808</u>	<u>213,229</u>
<b>OPERATING COSTS AND EXPENSES:</b>		
Cost of outright sales and sales-type leases	(2,853)	
Depreciation and amortization	69,765	69,758
Direct operating costs (exclusive of depreciation and amortization)	34,947	33,211
Selling, general and administrative expenses	18,754	25,114
Sponsor management fees	10,444	
Facilities restructuring and severance costs	3,349	
Loss on termination of sales-type lease	2,307	
Gain on undesignated interest rate swap		(13,240)
	<u>136,713</u>	<u>114,843</u>
Total operating costs and expenses		
<b>INCOME FROM OPERATIONS</b>	<b>72,095</b>	<b>98,386</b>
<b>INTEREST EXPENSE Net</b>	<b>75,526</b>	<b>60,557</b>
	<u>(3,431)</u>	<u>37,829</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(3,431)</b>	<b>37,829</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>(4,532)</b>	<b>10,045</b>
	<u>1,101</u>	<u>27,784</u>
<b>NET INCOME</b>	<b>\$ 1,101</b>	<b>\$ 27,784</b>
	<u>0.01</u>	<u>0.23</u>
<b>NET INCOME PER SHARE Basic</b>	<b>\$ 0.01</b>	<b>\$ 0.23</b>
	<u>0.01</u>	<u>0.22</u>
<b>NET INCOME PER SHARE Diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.22</b>

See notes to unaudited condensed consolidated financial statements.

**PANAMSAT HOLDING CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
**(IN THOUSANDS, EXCEPT SHARE DATA)**

	December 31, 2005	March 31, 2006
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 126,307	\$ 152,165
Accounts receivable net	66,418	76,341
Net investment in sales-type leases	12,260	9,959
Prepaid expenses and other (principally prepaid insurance)	20,306	13,720
Deferred income taxes	16,711	16,711
	<hr/>	<hr/>
Total current assets	242,002	268,896
SATELLITES AND OTHER PROPERTY AND EQUIPMENT Net	1,949,560	1,950,862
NET INVESTMENT IN SALES-TYPE LEASES	64,913	64,785
GOODWILL	2,244,131	2,244,131
DEFERRED CHARGES AND OTHER ASSETS Net	333,942	341,398
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 4,834,548</b>	<b>\$ 4,870,072</b>
	<hr/>	<hr/>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 88,349	\$ 119,257
Current portion of long-term debt	16,600	16,600
Current portion of satellite incentive obligations	13,240	12,638
Accrued interest payable	37,103	17,930
Dividends payable	47,507	52,257
Deferred gains and revenues	24,514	34,012
	<hr/>	<hr/>
Total current liabilities	227,313	252,694
LONG-TERM DEBT	3,197,695	3,200,775
DEFERRED INCOME TAXES	9,816	19,212
DEFERRED CREDITS AND OTHER (principally customer deposits, satellite incentive obligations and deferred revenue)	348,888	370,164
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>3,783,712</b>	<b>3,842,845</b>
	<hr/>	<hr/>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock; 50,000,000 shares authorized at December 31, 2005 and March 31, 2006, respectively, and 0 shares outstanding at both December 31, 2005 and March 31, 2006		
Common stock \$0.01 par value; 400,000,000 shares authorized, at December 31, 2005 and March 31, 2006, respectively, and 122,598,093 shares outstanding at December 31, 2005 and March 31, 2006, respectively	1,226	1,226
Additional paid-in capital	1,007,388	1,007,648
Retained earnings	45,814	21,340
Accumulated other comprehensive income (loss)	(97)	431
Other stockholders' equity	(3,495)	(3,418)
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<b>Total stockholders' equity</b>	<b>1,050,836</b>	<b>1,027,227</b>



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	December 31, 2005	March 31, 2006
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,834,548	\$ 4,870,072
	<u>                    </u>	<u>                    </u>

See notes to unaudited consolidated financial statements.

## PANAMSAT HOLDING CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
AND COMPREHENSIVE INCOME (UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE DATA)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss), net of tax	Other Stockholders' Equity	Total	Comprehensive Income
	Shares	Par Value Amount						
BALANCE, JANUARY 1, 2006	122,598,093	\$ 1,226	\$ 1,007,388	\$ 45,814	\$ (97)	\$ (3,495)	\$ 1,050,836	
Foreign currency translation adjustment					445		445	\$ 445
Amortization of unrealized gain on interest rate hedge					83		83	83
Stock compensation			260				260	
Amortization of deferred compensation						77	77	
Dividends to stockholders				(52,258)			(52,258)	
Net income				27,784			27,784	27,784
BALANCE, MARCH 31, 2006	122,598,093	\$ 1,226	\$ 1,007,648	\$ 21,340	\$ 431	\$ (3,418)	\$ 1,027,227	\$ 28,312

## OTHER STOCKHOLDERS' EQUITY:

	December 31, 2005	March 31, 2006
Excess of purchase price over historical cost basis of net assets acquired	\$ (3,418)	\$ (3,418)
Deferred compensation, net	(77)	
<b>TOTAL OTHER STOCKHOLDERS' EQUITY</b>	<b>\$ (3,495)</b>	<b>\$ (3,418)</b>

See notes to unaudited consolidated financial statements.

## PANAMSAT HOLDING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2006

(IN THOUSANDS)

	March 31, 2005	March 31, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 1,101	\$ 27,784
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	69,765	69,758
Deferred income taxes	(7,615)	9,394
Amortization of debt issuance costs and other deferred charges	5,312	5,389
Accretion on senior discount notes	6,534	7,230
Loss on early extinguishment of debt	9,521	
Provision for uncollectible receivables	90	(2,119)
Facilities restructuring and severance costs	3,349	
Gain on undesignated interest rate swap		(12,268)
Reversal of sales-type lease liabilities	(2,853)	
Loss on termination of sales-type lease	2,307	
Other non-cash items	(242)	(152)
Changes in assets and liabilities:		
Collections on investments in sales-type leases	6,533	5,501
Operating leases and other receivables	4,709	(9,881)
Prepaid expenses and other assets	(1,971)	7,174
Accounts payable and accrued liabilities	(40,071)	(12,588)
Deferred gains and revenues	(142)	9,492
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>56,327</b>	<b>104,714</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures (including capitalized interest)	(15,050)	(49,471)
Distribution from equity investment		902
Acquisitions, net of cash acquired		(377)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(15,050)</b>	<b>(48,946)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of common stock initial public offering	900,000	
Repayments of long-term debt	(290,000)	(4,150)
Dividends to stockholders	(200,000)	(47,508)
Capitalized costs of initial public offering	(37,385)	
Capitalized debt issuance costs	(634)	
Repayments of incentive obligations	(3,061)	(2,824)
Funding of capital expenditures by customer		24,446
Other equity related transactions	19	3
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>368,939</b>	<b>(30,033)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>47</b>	<b>123</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>410,263</b>	<b>25,858</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>38,982</b>	<b>126,307</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 449,245</b>	<b>\$ 152,165</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash received for interest	\$ 763	\$ 1,300

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	March 31, 2005	March 31, 2006
Cash paid for interest	\$ 87,875	\$ 74,406
Cash received for taxes	\$	\$ 3,204
Cash paid for taxes	\$ 5,039	\$ 877

See notes to unaudited condensed consolidated financial statements.

PANAMSAT HOLDING CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**1. Basis of Presentation**

These consolidated financial statements reflect the financial statements of PanAmSat Holding Corporation and its subsidiaries on a consolidated basis. Within these consolidated financial statements, PanAmSat Holding Corporation and its subsidiaries are referred to as "Holdco", "we", "us" and "our". The term "PanAmSat" refers to PanAmSat Corporation, our wholly-owned subsidiary.

These unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The condensed consolidated financial statements include all normal and recurring adjustments that management considers necessary to present fairly the financial position as of March 31, 2006, and results of operations and cash flows for the three months ended March 31, 2005 and 2006. Certain prior period amounts have been reclassified to conform to the current period's presentation. Operating results for the three months ended March 31, 2005 and 2006 are not necessarily indicative of the operating results for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in our audited financial statements for the year ended December 31, 2005 included in our Annual Report on Form 10-K filed with the SEC on March 10, 2006, any amendments thereto, and all of our other filings filed with the SEC from March 10, 2006 through the date of this report. During the quarter ended March 31, 2006, we adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised), "Share Based Payment" (SFAS 123R). See Note 9. "Stock Based Compensation" and Note 16. "New Accounting Pronouncements".

On August 20, 2004, affiliates of Kohlberg Kravis Roberts & Co. L.P., or KKR, The Carlyle Group, or Carlyle, and Providence Equity Partners, Inc., or Providence, completed a series of transactions resulting in an entity affiliated with KKR owning approximately 44% of PanAmSat's outstanding common stock and entities affiliated with Carlyle and Providence each owning approximately 27% of PanAmSat's common stock, with the remainder held by certain members of management and our board of directors. We collectively refer to KKR, Carlyle and Providence as the "Sponsors" in this quarterly report. We refer to the August 20, 2004 series of transactions through which the Sponsors acquired and recapitalized PanAmSat as the "Recapitalization".

On September 22, 2004, Holdco was formed by the then existing stockholders of PanAmSat. On October 8, 2004, all of PanAmSat's outstanding common stock held by its then existing stockholders was contributed to Holdco in exchange for an equal number of shares of Holdco common stock, par value \$.01 per share (the "Contribution"). As a result of and immediately following that contribution, PanAmSat's then existing stockholders owned Holdco in equal proportion to their prior ownership interest in PanAmSat, and PanAmSat became a wholly-owned subsidiary of Holdco.

The Contribution of PanAmSat to Holdco was accounted for as a recapitalization because neither a change in control nor a business combination occurred and Holdco was not a substantive operating entity. Accordingly, there was no change in the basis of the assets and liabilities of PanAmSat. Therefore, all operations of PanAmSat prior to the Contribution to Holdco are reflected herein at their historical amounts.

On March 22, 2005, we consummated an initial public offering of 50 million shares of our common stock. Upon completion of our initial public offering, the ownership percentages of our outstanding common stock was as follows: publicly held shares were approximately 41%, ownership by affiliates of

KKR, Carlyle and Providence was approximately 26%, 16% and 16%, respectively and ownership by certain members of management and our board of directors was approximately 1%.

## **2. PanAmSat/Intelsat Merger**

On August 29, 2005, we and Intelsat, Ltd. ("Intelsat") announced that the two companies signed a definitive merger agreement (the "Intelsat Merger Agreement") under which Intelsat will acquire us for \$25 per share in cash, or \$3.2 billion (the "Intelsat Merger"). Under the agreement, which was approved unanimously by the boards of directors of both companies, Intelsat will acquire all of our outstanding common shares. Also in connection with the pending Intelsat Merger, our board of directors approved the adoption of a severance plan, on terms similar to our existing severance plan, and authorized a retention pool of up to \$10 million for non-senior management employees.

On October 26, 2005, our shareholders approved and adopted the Intelsat Merger Agreement. Also on October 26, 2005, we received a request from the United States Department of Justice, or DOJ, for additional information and documentary materials in connection with the pending Intelsat Merger. The effect of this request is to extend the waiting period imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR"), until 30 days after the parties have substantially complied with the request, unless that period is terminated earlier by the DOJ or extended voluntarily. On January 20, 2006, we were informed by the Committee on Foreign Investment in the United States ("CFIUS") that CFIUS had reviewed a joint voluntary notice delivered to it by the parties to the Intelsat Merger Agreement, and had concluded that there were no issues of national security sufficient to warrant an investigation under Section 721 of the U.S. Defense Production Act of 1950, as amended (commonly referred to as "Exon-Florio"). Consummation of the Intelsat Merger remains subject to various conditions, including satisfaction of the HSR waiting period, receipt of Federal Communications Commission approvals, receipt of financing and other conditions. If the conditions to the Intelsat Merger are satisfied or waived (to the extent permitted by applicable law), we expect to consummate the Intelsat Merger in the second or third quarter of 2006.

## **3. Initial Public Offering**

On March 22, 2005, we consummated an initial public offering of 50 million shares of our common stock at \$18 per share and used the net proceeds to make an equity contribution to PanAmSat of approximately \$658.4 million and to pay a \$200 million dividend to our then pre-existing stockholders. PanAmSat used this equity contribution to repay approximately \$265.0 million of the borrowings under its Term Loan A Facility and on April 1, 2005, it redeemed \$353.5 million, or 35%, of its 9% senior notes and paid a redemption premium of \$31.8 million to holders of those notes. In connection with our initial public offering, we paid approximately \$40.9 million of costs which were capitalized on our balance sheet. In connection with and contingent upon our initial public offering, PanAmSat's senior secured credit facilities were amended (See Note 6 "Long-term Debt").

## **4. Dividend Policy**

Our board of directors adopted a dividend policy that became effective upon the closing of our initial public offering. Our dividend policy reflects an intention to distribute a substantial portion of the cash generated by our business in excess of operating expenses and working capital requirements, interest and principal payments on our indebtedness and capital expenditures as regular quarterly dividends to our stockholders. On December 14, 2005, our board of directors declared a quarterly dividend for the period from October 1, 2005 to December 31, 2005 in the amount of \$0.3875 per share, or an aggregate of approximately \$47.5 million, which was paid on January 17, 2006, to stockholders of record as of December 30, 2005. On March 16, 2006, our board of directors declared a quarterly dividend for the period from January 1, 2006 to March 31, 2006 in the amount of \$0.42625 per share, or an aggregate of approximately \$52.3 million, which was paid on April 13, 2006, to

stockholders of record as of March 31, 2006. On March 21, 2005, our board of directors declared a partial quarterly dividend for the period from March 22, 2005 to March 31, 2005 in the amount of \$0.043056 per share, or an aggregate of approximately \$5.28 million, which was paid on April 15, 2005, to stockholders of record as of March 31, 2005.

## 5. Reverse Stock Split and Amended and Restated Certificate of Incorporation

On March 1, 2005, we amended and restated our certificate of incorporation to (i) effect a reverse stock split of our outstanding shares of common stock on a one for 1.518628 basis and (ii) increase the number of authorized shares from 200 million to 450 million, consisting of 400 million shares of common stock and 50 million shares of preferred stock. The amended and restated certificate of incorporation provides that our board of directors is authorized to provide for one or more series of preferred stock and fix the number of shares, voting power, preferences and other special rights in each series. No such series of preferred stock has been designated and no shares of preferred stock have been issued. All share and per share amounts, as well as the par value amount and additional paid in capital amount related to these shares within these condensed consolidated financial statements, have been restated for all the periods presented to give retroactive effect to the reverse stock split.

## 6. Long-term Debt

As of December 31, 2005 and March 31, 2006, long-term debt consisted of the following (in thousands):

	December 31, 2005	March 31, 2006
6 <sup>3</sup> / <sub>8</sub> % Notes due 2008	\$ 150,000	\$ 150,000
8 <sup>1</sup> / <sub>2</sub> % Notes due 2012	1,190	1,190
6 <sup>7</sup> / <sub>8</sub> % Notes due 2028	125,000	125,000
<i>Transaction Related Financing:</i>		
<i>Revolving Credit Facility</i>		
Term Loan A due 2009	355,910	355,910
Term Loan B-1 due 2011	1,643,400	1,639,250
9% Senior Notes due 2014	656,500	656,500
10 <sup>3</sup> / <sub>8</sub> % Senior Discount Notes due 2014	282,295	289,525
	<u>3,214,295</u>	<u>3,217,375</u>
Less: current maturities	16,600	16,600
Total Long-Term Debt	<u>\$ 3,197,695</u>	<u>\$ 3,200,775</u>

At March 31, 2006, we had total debt outstanding of approximately \$3.2 billion, including current maturities of \$16.6 million related to our Term Loan B-1 Facility due 2011.

On October 19, 2004, pursuant to Rule 144A under the Securities Act of 1933, as amended, we issued \$416.0 million aggregate principal amount at maturity of our 10<sup>3</sup>/<sub>8</sub>% senior discount notes due 2014. All of the proceeds of that offering, less discounts, commissions and expenses, or approximately \$245.8 million, were paid on October 19, 2004 as a dividend to our stockholders. On May 31, 2005, we exchanged all the outstanding notes for an equal amount of 10<sup>3</sup>/<sub>8</sub>% senior discount notes due 2014, or Senior Discount Notes, which are registered under the Securities Act of 1933 and which have substantially similar terms. The Senior Discount Notes accrete at the rate of 10<sup>3</sup>/<sub>8</sub>% per annum, compounded semi-annually to, but not including, November 1, 2009. From and after November 1, 2009, cash interest on the Senior Discount Notes will accrue at the rate of 10<sup>3</sup>/<sub>8</sub>% per annum, and will be payable semiannually in arrears on May 1 and November 1 of each year, commencing on May 1, 2010, until maturity. As of March 31, 2006, the accreted balance of approximately \$289.5 million was

outstanding in relation to these notes. Costs incurred in relation to the issuance of these notes were capitalized to debt issuance costs and are being amortized over the term of these notes.

Our primary source of liquidity is cash flow generated from the operations of our subsidiaries, including PanAmSat. Our ability to pay dividends on our common stock and make payments on our Senior Discount Notes is dependent on the earnings and the distribution of funds from PanAmSat. The agreements governing PanAmSat's senior secured credit facilities and 9% senior notes are the two contractual obligations of PanAmSat that significantly restrict its ability to pay dividends or otherwise transfer assets to Holdco. Payment of dividends is also subject to compliance with Delaware law.

With a portion of the proceeds from our initial public offering, we made an equity contribution to PanAmSat of approximately \$658.4 million, which PanAmSat used to repay approximately \$265.0 million of the borrowings under its Term Loan A Facility on March 22, 2005, redeem \$353.5 million, or 35%, of its 9% senior notes and pay a redemption premium of \$31.8 million to holders of these notes on April 1, 2005. PanAmSat also repaid an additional \$25.0 million of the Term Loan A Facility with cash on hand on March 22, 2005.

In connection with and contingent upon our initial public offering, PanAmSat's senior secured credit facilities were amended to, among other things: