

International Telecommunications Satellite Organization

Quarterly Financial Consulting Services
for the three months ended
March 31, 2010

April 16, 2010

MEMORANDUM

To: Mr. Jose Toscano
Director General
International Telecommunications Satellite Organization

From: Alex Castelli
Reznick Group

Background

Reznick Group was engaged to provide consulting services to assist International Telecommunications Satellite Organization (ITSO) with the review of its internal financial statements for the three months ended March 31, 2010.

Procedures Performed

We performed the following procedures:

1. We obtained the bank reconciliations for January, February and March 2010 for the following accounts:
 - a. PNC operating account
 - b. T Rowe Price money market account
 - c. T Rowe Price contingency fund account
 - d. HSBC checking account (replaces PNC operating account)
 - e. HSBC money market account (replaces T Rowe Price money market account)
 - f. HSBC brokerage account (replaces T Rowe Price contingency fund account)

The PNC operating account is in the process of being closed as of March 31, 2010. The funds in the T Rowe Price money market account and contingency fund account were transferred to the HSBC money market account and HSBC brokerage account, respectively, during the 3rd quarter of Fiscal Year 2010 (FY10) and the T Rowe Price accounts were closed.

For January, February and March 2010, we compared the balances reported on the reconciliations to the applicable statements without exception. We inquired about reconciling items and noted no unusual items.

2. We reconciled the funding capital account per the ITSO trial balance as of March 31, 2010 to the audited financial statements as of July 18, 2009.
3. We obtained the balance sheet as of March 31, 2010 and the income statements for the three months ended March 31, 2010 and the comparable period ended March 31, 2009. We made inquiries of Joyce Romanus, ITSO outsourced bookkeeper and noted the following:
 - a. During the 3rd quarter of FY10, ITSO transferred \$300,000 from the HSBC checking account to the operating cash account for expenses. Overall, cash decreased approximately \$317,000 during the 3rd quarter of FY10.

- b. We noted accounts payable at March 31, 2010 totaling approximately \$75,000. The Organization generally pays its bills when received and any accounts payable is due to timing of processing the payables and payment. No unusual items were noted per discussion with Joyce Romanus. We noted that the invoices were properly approved by ITSO prior to processing and payment.
 - c. No disbursements were noted from the Contingency Fund. Legal fees totaled \$18,000 during the 3rd quarter of FY10 as a result of external legal counsel's participation in an ad hoc working group that was created by AP-32.
- 4. We obtained the detailed general ledger for the three months ended March 31, 2010. We noted no unusual items.
- 5. We scanned the general ledger and obtained a listing of manual journal entries posted during the three months ended March 31, 2010. No unusual items were noted.
- 6. We inquired of the Director General as to any significant events since during the quarter ended March 31, 2010 and any events subsequent to March 31, 2010 (end of Q3 FY10) and noted the following:
 - a. The Organization has hired a Director of Technical Affairs effective March 8, 2010; and
 - b. The funds held at T Rowe Price and PNC Bank were transferred to accounts at HSBC Bank in February 2010.
 - c. There were no material events subsequent to March 31, 2010 through April 16, 2010 that would require disclosure.

Other Matters

The Director General has implemented a process to review the actual results to the budget on a monthly basis. His review includes reviewing the cash accounts and any large or unusual variances between actual results and budget.

No other significant matters were noted.

The sufficiency of our procedures is solely the responsibility of ITSO. Consequently we make no representations regarding the sufficiency of our procedures. Our procedures do not constitute an examination or an audit and, accordingly, we do not express an opinion on the ITSO internal financial statements for the period ended March 31, 2010.

We are available to discuss any matters related to our procedures or findings.