



Code of Business Conduct and Ethics

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Table of Contents

INTRODUCTION.....	1
<i>Waivers</i>	1
COMPLIANCE WITH THE CODE	1
<i>Employees' Responsibilities</i>	1
<i>Managers' Responsibilities</i>	1
<i>Decision Making Process</i>	1
<i>Seeking Advice and Reporting Violations</i>	1
<i>Penalties for Violation</i>	2
CONFLICTS OF INTEREST	2
<i>Loans</i>	2
<i>Gifts</i>	3
<i>Entertainment</i>	3
<i>Family and Personal Relationships</i>	3
<i>Outside Employment, Corporate Opportunities and Other Activities</i>	3
<i>Matters Involving Accounting, Auditing, Fraud, Violation of Laws or Misappropriation of Corporate Property</i>	4
<i>Insider Trading</i>	4
PUBLIC DISCLOSURE OF INFORMATION.....	4
CONFIDENTIALITY	4
<i>Telesat and Business Partner Information</i>	4
DEALING WITH CUSTOMERS AND COMPETITORS	5
<i>Selling Products and Services</i>	5
<i>Treating Competitors with Respect</i>	5
<i>Obtaining Information About Competitors</i>	5
<i>When a Competitor is a Customer</i>	6
<i>Reciprocity</i>	6
SAFEGUARDING COMPANY ASSETS	6
<i>Funds</i>	6
<i>Books and Records</i>	7
<i>Binding Agreements; Contract and Agreement Standards</i>	7
<i>IT and Network Security</i>	7
<i>Personal Use of Telesat-Provided Internet Access and Communications Devices</i>	7
<i>Property</i>	8
<i>Intellectual Property</i>	8
A WORK ENVIRONMENT FREE OF DISCRIMINATION AND HARASSMENT.....	8
REVISIONS TO THE CODE	8
ANNUAL REVIEW	8
CONTACT PERSONS.....	8
EMPLOYEE ACKNOWLEDGMENT	(i)

INTRODUCTION

This Code of Business Conduct and Ethics ("Code") applies to all officers, employees and consultants ("Employees") of Telesat Holdings Inc. and its subsidiaries ("Telesat").

All Employees are expected to comply with the standards of conduct set forth in this Code and, in particular, Employees are expected to:

- comply with all applicable laws, regulations and Telesat policies and procedures;
- carry out work duties and conduct business relationships with integrity and honesty;
- avoid conflicts of interest; and
- sustain a culture in which ethical conduct is recognized, valued and exemplified by all.

This Code applies in addition to Telesat's other policies and procedures. It may be modified from time to time without prior notice.

Waivers

Any waiver of the application of this Code to a Telesat officer may be made only by Telesat Holdings Inc.'s Board of Directors, or an authorized committee of the Board, and will be promptly disclosed as required by law or applicable stock exchange rules.

Any waiver of the application of this Code to any other Employee may be made only with the written consent of Telesat's General Counsel.

COMPLIANCE WITH THE CODE

Employees at every level play an important role in upholding Telesat's high standards of ethical and professional conduct. This is a collective and continuing responsibility. Each Employee is individually responsible for knowing, understanding and complying with this Code. Improper activities, or even the appearance of impropriety, could result in serious consequences for Telesat and the Employee(s) involved.

Employees' Responsibilities

Each individual Employee must:

- perform his or her job and conduct business affairs ethically, legally and with the utmost integrity;
- seek advice or help when faced with a difficult ethical situation; and
- promptly report any violation or suspected violation of the Code, or breach of a Telesat policy, using one of the

communication channels identified in the section of this Code titled "Seeking Advice and Reporting Violations".

Managers' Responsibilities

Managers have a special duty to uphold Telesat's reputation for integrity, honesty and ethical conduct. This means that, in addition to their responsibilities as Employees, they must also:

- set an example by complying with the Code at all times, even when doing so may seem difficult, time-consuming or inexpedient;
- ensure that all Employees have access to an electronic or paper copy of the Code, and that they know, understand and comply with its provisions;
- ensure that all Employees comply with the annual review process described in this Code; and
- create and maintain a work environment that encourages ethical behaviour.

Decision Making Process

This Code does not, and could not be expected to, anticipate every possible ethical situation that may arise as Employees perform their jobs. This would be impossible to do. However, it does set out fundamental principles of ethical conduct that Employees are expected to use in making decisions for situations not described in this Code.

Seeking Advice and Reporting Violations

To report an actual or suspected violation of the Code and/or discuss any issue regarding compliance with the Code, a number of communication channels are available to Employees.

Employees may speak confidentially to their managers, to Telesat Canada's Director, Human Resources or Telesat's General Counsel, or to any other management representative.

If an Employee is uncomfortable with speaking directly to one of the above individuals about an actual or suspected violation of the Code, he or she may send an anonymous e-mail to <http://appmenu/anonymousemail.aspx> to report the violation. This e-mail will be received by Telesat's General Counsel. Note: Employees who choose this method are encouraged to

provide clear and detailed information since there is no ability to contact the sender of the email in order to ask follow-up questions.

Employees also have the option of sending an e-mail message directly to the Chairperson of the Telesat Audit Committee by using the link provided for this purpose on the corporate intranet site, or by selecting "Telesat Audit Chair" in the corporate e-mail directory. Note that messages sent to this address are not anonymous in that the Chairperson will see the identity of the sender as normally displayed in an e-mail message.

Communications with Employees who seek advice or report violations of this Code and do not wish to be identified will be kept confidential to the fullest extent possible. Disclosure may be required, however, in order to conduct an investigation, to support legal proceedings, where required by law or if the complaint was not reported in good faith.

Telesat expects that all reports of violations of the Code will be made in good faith. Employees who deliberately make false claims will be subject to disciplinary action.

Any Employee who in good faith reports a violation of the Code will be protected from threats of retaliation, discharge, or other types of discrimination including but not limited to, lower compensation or inferior terms and conditions of employment that are directly related to such disclosure. Any Employee who believes that he or she has been the subject of retaliation for reporting a violation of the Code may contact any one of the individuals identified above, and an investigation will be conducted.

Penalties for Violation

Each Employee is responsible for his or her actions, whether he or she acts according to strictly defined rules or according to what he or she thinks to be appropriate in a given situation. This means that an Employee cannot blame someone else for his or her conduct.

All Employees are expected to comply with both the letter and the spirit of this Code and with Telesat's other policies. Disciplinary action may be taken should an Employee, for example:

- violate a Telesat code or policy or disregard proper procedures;
- ask others to violate a Telesat code or policy or to disregard proper procedures;

- deliberately fail to report a violation, fail to report a violation promptly or withhold relevant information concerning a violation;
- fail to cooperate in the investigation of a known or suspected violation; and
- retaliate against an Employee who reports a violation, or who assists or participates in an investigation.

CONFLICTS OF INTEREST

A conflict of interest exists whenever an Employee's personal interests or relationships interfere in any way with the interests of Telesat, making it difficult for the Employee to perform his or her job objectively and effectively. A conflict of interest also exists when an Employee or his or her family member(s) receive(s) improper personal benefits as a result of the Employee's position with Telesat. An Employee's actions may sometimes appear to put him or her in a conflict of interest. This perception may be just as damaging as a real conflict of interest would be.

It is up to each Employee to avoid situations that may lead to an actual, potential or perceived conflict of interest. Employees must not use their positions for personal gain, or for the benefit of family, friends or colleagues.

The following sections describe certain common situations that may lead to a conflict of interest, and the conduct that is expected of Employees in those situations.

An Employee who has any doubt about whether a situation creates an actual, potential or perceived conflict of interest, should discuss the matter with his or her manager or Telesat Canada's Director, Human Resources.

Loans

Employees may not accept, whether directly or indirectly, any loan or guarantee of obligations from Telesat for the Employee's own personal benefit.

Gifts

Because gifts, gratuities and entertainment may compromise, or appear to compromise, the Employee's ability to make fair and objective business decisions, Employees may not accept gifts, gratuities, or entertainment from business partners, except within the very limited exceptions described below.

Only hospitality, gifts or mementos of modest value that are customary and business-related may be accepted by an Employee. Employees are encouraged to review each situation with an immediate manager to see if he or she agrees that it falls within this limited exception. All other gifts must be politely returned with a note explaining Telesat's policy.

Accepting gifts having a monetary value – such as gift certificates, cash, services, discounts or loans – is always prohibited.

Employees must not solicit or encourage gifts, hospitality, entertainment or any other items for personal use. Solicitation of gifts or prizes for Telesat-sponsored events, including events which provide benefits to charitable organizations, is permitted with the approval of an immediate manager.

The Code does not change during traditional gift giving seasons, and applies equally to all Employees.

Entertainment

Entertainment gifts must be appropriate for the function or services that the receiving Employee performs for Telesat and clearly intended to facilitate business goals.

As a general guideline, business entertainment in the form of meals is acceptable, as long as it is reasonable and infrequent. If an Employee knows that Telesat would not entertain other business contacts in a comparable manner, then the invitation should be declined.

Family and Personal Relationships

Sometimes, an Employee's work and personal lives intersect, and the Employee finds himself or herself considering a business relationship with a relative, partner or close friend.

These relationships must be disclosed if they compromise, or could be perceived as compromising, the Employee's ability to act in Telesat's best interests. An immediate manager must be informed if, for example:

- an Employee is considering hiring a family member or friend;
- an Employee's family member or close personal friend works for a business partner (including a supplier of products or services to Telesat) or competitor; or
- a relative or person with whom an Employee has a close relationship is an executive, director or major shareholder in a company that competes with Telesat.

If the Employee and the other person hold jobs which create or appear to create a conflict of interest, one of them may be required to transfer to another position. If a transfer cannot be arranged, and alternative solutions are not reasonably available, one person or the other would have to leave his or her position. In any event, the situation would have to be resolved so as to eliminate the actual, potential or perceived conflict of interest.

Outside Employment, Corporate Opportunities and Other Activities

Employees who are involved in outside employment or other activities in their non-working hours must ensure that the outside employment and other activities do not conflict, or appear to conflict, with Telesat's business or with the Employee's ability to fulfill his or her duties as an Employee of Telesat.

Therefore, Employees may not, for example:

- work for an organization that competes with Telesat;
- start up a business that offers, or plans to offer, products or services that compete for business with those offered by Telesat;
- sell or promote a third party's line of products or services if these products or services compete for business with those offered by Telesat; or
- use Telesat equipment, time, materials or facilities in connection with paid or unpaid work for other organizations, unless specifically authorized by management (for example, to support a charitable community project).

To avoid a conflict of interest, or even the appearance of such a conflict, Employees are encouraged to discuss any planned outside employment or other similar activities with an immediate manager.

Matters Involving Accounting, Auditing, Fraud, Violation of Laws or Misappropriation of Corporate Property

Employees are prohibited from coercing, manipulating, misleading or fraudulently influencing Telesat's auditors, or individuals performing an auditing function, at any time and particularly when the Employee knows or should know that his or her action, if successful, could result in rendering Telesat's financial statements materially misleading.

In addition, Employees are required to promptly report the following activities (each a "Reportable Activity") through one of the communication channels described in the section of this Code titled "Seeking Advice and Reporting Violations":

- any concerns or complaints with respect to a business unit's accounting, internal accounting controls or auditing matters; or
- evidence of an activity by an Employee or business unit that may constitute: (i) corporate fraud, (ii) violation of federal, provincial, state or other laws, or (iii) misappropriation of company property.

Any manager who becomes aware of a Reportable Activity shall, regardless of the materiality of the allegation, immediately report the activity to Telesat's General Counsel or Chief Financial Officer.

Upon receipt of information regarding a Reportable Activity, Telesat's General Counsel or Chief Financial Officer shall:

- immediately report such submission to the Chairperson of Telesat's Audit Committee, regardless of the materiality of the allegation;
- review and assess the seriousness of the Reportable Activity with Telesat's Audit Committee as appropriate and investigate as appropriate; and
- inform the Employee or third party who first reported the Reportable Activity of the outcome of the investigation, if possible and provided the report was not made anonymously.

Insider Trading

Securities laws impose restrictions on the purchase and sale of shares and other debt and equity securities and "tipping" when a person has knowledge of information not yet known to

the public and which generally could affect the market price of the securities.

In particular, Employees with knowledge of undisclosed material information about a public company are prohibited from buying or selling securities of that company, or from "tipping" others about such information. Therefore, care must be taken to avoid inadvertently disclosing confidential information to spouses, family members and others who live in the same household, or to business partners, friends and others, as this could be considered "tipping".

The *Telesat Insider Trading and Confidentiality Policy* also prohibits Employees from carrying out certain types of transactions (e.g., short-term trading, short sales etc.) involving the securities of Telesat or its shareholders, specifies the period of time that an Employee must wait before trading in those securities following the release of material information to the public, and requires designated Employees to trade in those securities only within defined trading windows. Employees are expected to read, understand and comply with that policy. For further information, refer to the *Telesat Insider Trading and Confidentiality Policy*.

PUBLIC DISCLOSURE OF INFORMATION

Telesat is subject to various securities laws that impose strict rules on the disclosure of financial and other material information to the public. The improper disclosure of information by an Employee could create liabilities for Telesat and for the Employee(s) involved.

It is Telesat's policy that all disclosures made by the company to its security holders, any securities commission or the investment community be accurate, timely and fairly present the company's financial conditions and results of operation in all material respects, as required by applicable laws and rules.

Please see Telesat's *External Communications and Public Disclosure of Information Policy* for further information. All Employees are expected to read, understand and comply with that policy.

CONFIDENTIALITY

Telesat and Business Partner Information

Employees must maintain the confidentiality of information entrusted to them by Telesat or its business partners, except when disclosure is authorized or legally required. All non-public information should be considered to be confidential. Even seemingly mundane

information, such as customer and supplier lists, might be of use to competitors, or harmful to Telesat or its business partners, if disclosed.

Employees must not share Telesat or third party confidential information with fellow Telesat Employees unless they have a legitimate need to know.

Employees must be vigilant about avoiding inadvertent disclosures of confidential information. Confidential matters must not be discussed in public places where they may be overheard, such as in elevators, hallways, restaurants, airplanes or taxis. Confidential documents must not be read or displayed in public where they may be viewed by non-Telesat personnel and must not be discarded in places where they can be accessed by non-Telesat personnel.

In addition, Employees are responsible for protecting confidential information by, among others:

- classifying and marking documents with the appropriate proprietary notice;
- making sure all proprietary information, whether printed on paper, or stored on computers or in other electronic form, is kept secure;
- avoiding unauthorized disclosure of proprietary information by, for example, checking that computers and telephones used to send and receive information are secure; and
- promptly returning all proprietary information and documents provided by Telesat, including all third party information, upon termination of the person's employment or contract with Telesat, or reassignment of the person's position.

Using any confidential information for personal purposes, or failing to safeguard such information, is strictly prohibited.

Any attempt by an Employee to obtain proprietary information by unauthorized means or to misuse such information must be reported immediately.

DEALING WITH CUSTOMERS AND COMPETITORS

To achieve a sustained and enduring competitive advantage, Telesat must ensure that its reputation for quality, service and integrity remains unimpeachable. The best way to maintain Telesat's reputation, and strengthen its competitive advantage, is to compete vigorously while complying fully with legal and ethical obligations.

Selling Products and Services

Telesat's customers trust Telesat to provide quality products and services, and be truthful when discussing the advantages and benefits of Telesat's products and services. To maintain that trust, Employees must:

- offer customers only those services which Telesat is legally allowed to provide, either alone or by contract with a supplier or agent, at approved rates and charges, where applicable;
- ensure that information used to promote Telesat's products and services is accurate; and
- not offer to waive charges, cut special deals or grant discounts that are not authorized.

Treating Competitors with Respect

Telesat has a responsibility to portray its competitors fairly, accurately and without bias. Acting otherwise could result in charges of anti-competitive behaviour, and possibly in lawsuits.

As representatives of Telesat, Employees must:

- not knowingly portray a competitor to the public or to a business partner in an inaccurate or misleading manner; and
- not behave spitefully or disrespectfully toward a customer who has decided to purchase a competitor's products or services.

Obtaining Information About Competitors

Telesat is entitled to gather information about the marketplace in which it operates, including information about competitors, their products and services, technology and the prices of their products and services. However, this information must be obtained only through legal and ethical channels. Acting otherwise may be against the law and may result in prosecution.

Therefore, Employees must:

- not engage in industrial espionage;

- not buy proprietary competitive intelligence (such as marketing plans, sales strategies, etc.); and
- never induce another Employee to wrongfully obtain confidential information, or request or induce the Employee of a competitor to violate his or her obligations to a former employer by providing such information.

New Employees have an obligation to protect their former employer's confidential or proprietary information against unauthorized disclosure, just as other Employees are obliged to protect Telesat's confidential or proprietary information after they leave the company. Therefore, Employees should never ask a new Employee to disclose information that is confidential or proprietary to his or her former employer. Employees must respect a new Employee's personal integrity as well as his or her obligations to a former employer.

When a Competitor is a Customer

Sometimes Telesat's competitors are also its business partners. When serving business partners who are also competitors, Employees must never use information obtained as a result of providing service to the competitor in any manner which would give Telesat an undue competitive advantage.

For questions or concerns about dealings with competitors contact Telesat's Law Department.

Reciprocity

Reciprocity is the promotion of sales through the use of purchasing power. While Telesat quite naturally wants to do business with its business partners, and will take advantage of every opportunity to do so, Employees must keep in mind that this should not be done at the expense of price, quality and service. These criteria, rather than the simple fact a supplier is or is not a Telesat business partner, should guide all purchasing decisions.

Reciprocity, whether it originates with the buyer or the seller, should be handled with utmost care for a number of financial, ethical and legal reasons. Under certain circumstances, Telesat may, for strategic marketing reasons, develop and contract services exclusively with a given supplier. The Law Department must be consulted before all such arrangements are established.

SAFEGUARDING COMPANY ASSETS

Every Employee is accountable for the protection of Telesat assets under his or her care, including assets that are physical (e.g., material, buildings, people, property, information, revenues) and intangible (e.g., communications networks, information systems, intellectual property). Employees are responsible for complying with the security procedures and maintaining the physical safeguards established by the designated security officer at each company location. For locations without a designated security officer, the highest level of management at the location is responsible for determining, implementing and maintaining security procedures and physical safeguards that are appropriate for the location. If there is no management representative at the location, the immediate manager(s) to whom Employee(s) at the location report will have this responsibility.

Access to and use of Telesat assets must be authorized, adequately controlled and based on business needs. Use of Telesat assets for personal purposes otherwise than in accordance with Telesat policies is strictly prohibited. Every Employee must also take appropriate steps to prevent losses due to willful action by others, both outside and within Telesat, where such action may result in injury, property damage, theft, abuse or unauthorized access to physical or intangible assets.

Employees are also responsible for ensuring that transfers of Telesat's own or third party information and materials are carried out in accordance with applicable government requirements, including but not limited to the Export and Import Permits Act, the International Traffic in Arms Regulations, the Export Administration Regulations, the Customs Act, the Customs Tariff Act, and the Controlled Goods Regulations legislated by the Defense Production Act.

Finally, Employees leaving the company are reminded of their ongoing obligation to safeguard Telesat sensitive information including confidential, proprietary information and trade secrets that were acquired during their employment with Telesat.

Funds

Employees are required to:

- properly use and protect Telesat cash, cheques, postage, etc., and ensure that all

expenses, benefit claims and invoices are accurate, complete and properly authorized and recorded;

- provide receipts and/or explanations for all expenses and charge all transactions to the appropriate account(s); and
- use corporate credit cards, charge cards, gasoline cards and calling cards for business purposes and only in accordance with Telesat policies and procedures.

Books and Records

In preparing and maintaining Telesat's books and records, Employees are required to:

- adhere to all accepted accounting standards and practices, and applicable rules, regulations and controls;
- ensure that all entries are recorded accurately and on time, in the proper accounts, and are properly documented;
- record all funds, assets and transactions. Undisclosed or unrecorded funds, assets or transactions are not permitted for any purpose;
- keep books and records which reflect fairly, accurately and in reasonable detail the company's transactions, acquisition and disposal of assets and other activities;
- sign only those documents that Employees believe to be accurate and truthful and which the Employee is authorized to sign;
- restrict access to sensitive or confidential information (such as financial records and business partner information) to ensure the information is not accidentally or intentionally disclosed, modified, misused or destroyed; and
- ensure, through an internal control process, that the company meets its book- and record-keeping obligations.

For more information, refer to Telesat's *Improper Payments Policy*.

Binding Agreements; Contract and Agreement Standards

Verbal agreements made by Employees can be legally binding on Telesat and, therefore, when having discussions with third parties including customers and suppliers Employees must take care not to enter into what could be perceived as being a verbal agreement. All agreements

between the company and its customers, suppliers or other third parties must be in writing.

In addition, before providing a proposal or quote to a customer, Employees must ensure that they have obtained, in advance, all required approvals in respect of the proposal or quote.

Employees who are in a position to negotiate written agreements must protect the interests of the company by ensuring that such agreements are reviewed and approved by the Law Department prior to being signed.

IT and Network Security

Every effort must be made to protect Telesat's computer systems and associated equipment and software from threats to their security, such as accidental or deliberate destruction of data and equipment, interruption of service, disclosure of sensitive information, theft and corruption.

Employees are reminded that:

- access to computer systems is granted only to authorized users;
- users are responsible and accountable for their access to and use of computer systems;
- all access codes and passwords must be kept confidential;
- company policies regarding the purchase and use of computer software must be followed;
- to guard against computer viruses that may damage computer systems and jeopardize network security, all new files regardless of source (e.g. e-mail attachments, internet, diskettes, etc.) must be checked with the latest version of company-approved virus protection program; and
- any breach of computer security, and related policies and standards, must be reported.

For more information, refer to Telesat's *IT Services Policy*.

Personal Use of Telesat-Provided Internet Access and Communications Devices

Use of Internet access and communications devices is provided primarily for business purposes. However, limited personal use of company-provided Internet access and communications devices is permitted, provided the use is reasonable and does not impede or

reduce an Employee's ability to perform his or her duties, diminish productivity or effectiveness at work or negatively impact the company in any way. Employees are responsible for actions taken by them while using the Internet or e-mail, and will be held accountable for those actions. For more information, refer to the applicable policies regarding use of Telesat's computer systems and related equipment and services, including Telesat's *IT Services Policy*.

Property

Employees must protect the physical and intellectual property of the company and third parties from loss, damage, theft, vandalism, sabotage or unauthorized use, copying, disclosure or disposal. This applies to company property located in the office, at home or on business partner premises. Personal use of company-owned or -leased property should be limited, and Employees are responsible for obtaining prior manager approval to use such property, and for reimbursing the company for any associated expenses.

Upon termination of employment or contract, or reassignment, Employees must promptly return to Telesat all company or third-party physical or intellectual property in the Employee's possession or under the Employee's control.

Intellectual Property

Intellectual property is one of the most valuable assets of the company. Intellectual property includes such things as patents, copyrights, moral rights, trademarks, domain names, industrial designs, trade secrets, confidential information, know-how, business methods and processes, computer software, computer operating systems, written materials (in paper or electronic form), inventions, graphics, photographs, audio-visual productions and other similar materials.

All intellectual property conceived or made during or after working hours in the course of employment with Telesat or which is within the scope of Telesat's business interests, is the property of Telesat. Employees are required to cooperate fully in the preparation and execution of all necessary documents if Telesat decides to use or sell the intellectual property, or to apply for protection, registration or enforcement of intellectual property rights.

Employees are prohibited from disclosing Telesat's proprietary information and confidential intellectual property without ensuring that the

proper safeguards and legal documentation are in place.

A WORK ENVIRONMENT FREE OF DISCRIMINATION AND HARASSMENT

Telesat prohibits all forms of unlawful discrimination, including harassment, whether directed against an individual or group. This specifically includes discrimination based on race, national or ethnic origin, color, religion, age, sex (including pregnancy or childbirth), sexual orientation, marital status, family status, physical or mental disability, and conviction for which a pardon has been granted.

Any Employee who believes that he or she is being harassed or discriminated against should immediately report this to his or her manager or a member of senior management.

REVISIONS TO THE CODE

All material revisions to the Code must be reviewed and approved by Telesat Holdings Inc.'s Board of Directors, or an authorized committee or delegate of the Board.

ANNUAL REVIEW

All Employees are expected to review the Code annually and to certify having done so by signing an Employee Acknowledgement: Code of Business Conduct and Ethics form. Each Employee's signed form is kept in his or her personnel file.

CONTACT PERSONS

For questions about this Code, or to report a violation of this Code or other Telesat policies, please contact or send your report to:

Telesat Canada's Director, Human Resources:

Antonia Micchia

Tel: (613) 748-8769

Fax: (613) 748-8865

Telesat's General Counsel:

Christopher DiFrancesco

Tel: (613) 748-8797

Fax: (613) 748-8804

Anonymous Email:

<http://appmenu/anonymousemail.aspx>

CODE OF BUSINESS CONDUCT AND ETHICS

Telesat Audit Committee Chairperson:

See e-mail link on the corporate Intranet site, or select "Telesat Audit Chair" from the corporate email directory.



EMPLOYEE ACKNOWLEDGMENT

CODE OF BUSINESS CONDUCT AND ETHICS

By my signature below, I acknowledge receipt of the Code of Business Conduct and Ethics ("Code") which also specifically incorporates Telesat's other policies and procedures including, but not limited to, the *External Communications and Disclosure of Confidential Information Policy*, the *Improper Payments Policy* and the *Telesat Insider Trading and Confidentiality Policy*. I understand that I should be guided by the Code and all other Telesat policies in all of my dealings related to Telesat and its subsidiaries.

I have read and understand the Code and agree that I will comply with it and all other Telesat policies, and not knowingly engage in any activities prohibited by them. I have discussed with my immediate manager any items that were not clear to me so that I may act in accordance with both the spirit and letter of the standards set out in the Code and in other Telesat policies. I have reported to my manager any relationship or other circumstances that could place me in conflict with the interests of Telesat or its subsidiaries and will so report any new situations as they arise.

Date: _____

Employee Number: _____

Employee's Name: _____

Position: _____

Employee's Signature: _____