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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

_____)	
In re:)	Chapter 11
TERRESTAR CORPORATION, <i>et al.</i> , ¹)	Case No. 11-10612 (SHL)
Debtors.)	Joint Administration Requested
_____)	

**MOTION OF THE FEBRUARY DEBTORS
AND THE GUARANTOR FOR ORDER (A) AUTHORIZING
THE FEBRUARY DEBTORS TO OBTAIN POSTPETITION FINANCING AND
(B) AUTHORIZING THE FEBRUARY DEBTORS TO USE CASH COLLATERAL**

TerreStar Corporation (“*TSC*”), TerreStar Holdings Inc. (“*TS Holdings*”) and Motient Ventures Holding Inc. (the “*Guarantor*”), seek the entry of a final order (the “*Order*”), substantially in the form attached hereto as Exhibit A (as described in more detail below) authorizing the February Debtors and the Guarantor to enter into that certain debtor in possession

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor’s federal taxpayer-identification number, are: (a) TerreStar Corporation [6127]; and TerreStar Holdings Inc. [0778] (collectively, the “*February Debtors*”) and (b) TerreStar New York Inc. [6394]; Motient Communications Inc. [3833]; Motient Holdings Inc. [6634]; Motient License Inc. [2431]; Motient Services Inc. [5106]; Motient Ventures Holding Inc. [6191]; MVH Holdings Inc. [9756] (collectively, the “*Other TSC Debtors*” and collectively, with the February Debtors, the “*TSC Debtors*”).

financing evidenced by that certain DIP & Confirmation Financing Commitment (the "**Commitment Letter**") and to pay certain fees and expenses associated with such financing. In support of this motion, the February Debtors and the Guarantor respectfully state as follows:

I. RELIEF REQUESTED

1. By this motion (the "**DIP Motion**"), the February Debtors and the Guarantor request entry of the Order, pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(e) and 507 of title 11 of the United States Code (the "**Bankruptcy Code**"), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**") and Rule 4001-2 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the "**Local Rules**" or "**LBR**"):

- (a) authorizing the February Debtors to obtain a \$13,368,421.05 secured post-petition financing (the "**DIP Financing**" and the loans thereunder, the "**DIP Loans**") pursuant to a debtor in possession financing agreement (the "**DIP Agreement**")² by and among the February Debtors as borrowers, the Guarantor, Solus Alternative Asset Management LP (including the permitted assigns of its commitment, the "**DIP Lender**") as lender and NexBank, SSB as agent (the "**DIP Agent**"), incorporating the terms and conditions substantially similar to those contained in the Commitment Letter attached hereto as Exhibit B;
- (b) authorizing the February Debtors and the Guarantor to execute and deliver the DIP Agreement and other related loan documents (collectively with all documents comprising the DIP Financing, the "**DIP Documents**" and the obligations thereunder, the "**DIP Obligations**") and to perform such other acts as the DIP Agent or the DIP Lender determine may reasonably be necessary or desirable in connection with the DIP Documents;
- (c) authorizing the February Debtors' use of the proceeds of the DIP Loans and cash collateral (as defined in Bankruptcy Code section 363(a), "**Cash Collateral**") to (i) pay fees and expenses associated with the DIP Financing, (ii) make one or more intercompany loans to certain subsidiaries of TSC, (iii) in accordance with the Budget (defined below), provide for the February Debtors' ongoing

² As discussed in greater detail herein, the February Debtors, the Guarantor and the DIP Lender are finalizing the DIP Agreement. The DIP Agreement will be in a form consistent with the terms set forth in the Commitment Letter and the Outline of Terms and Conditions attached thereto.

working capital requirements, *provided, however*, that amounts included in the Carve-Out (defined below) shall not be subject to the Budget and (iv) make payments and settlements of pre-petition claims;

- (d) pursuant to Bankruptcy Code section 364(c)(1), granting to the DIP Agent, for the benefit of the DIP Lender, allowed senior administrative expense claims (the “**Superpriority Claims**”) for the DIP Obligations which shall, except to the extent expressly set forth in the Order in respect of the Carve-Out (defined below), have priority over any and all administrative expenses, adequate protection claims and all other claims against the February Debtors, now existing or hereafter arising, of any kind whatsoever, including without limitation, all administrative expenses of the kind specified in Bankruptcy Code sections 503(b) and 507(b);
- (e) granting to the DIP Agent, for the benefit of the DIP Lender, the following security interests and liens on substantially all of the assets of the February Debtors (all property identified in clauses (i) through (ii) below being collectively referred to as the “**DIP Collateral**”), subject only to the Carve-Out (defined below) (all such liens and security interests granted to the DIP Agent, for its benefit and for the benefit of the DIP Lender, pursuant to the Order and the DIP Documents, the “**DIP Liens**”):
 - (i) pursuant to Bankruptcy Code section 364(c)(2), a fully perfected first priority security interest in and lien on all assets (tangible, intangible, real, personal and mixed, but subject to certain permitted encumbrances and the exclusion of assets on which the grant of such lien would be prohibited by law) in which the February Debtors have an interest, whether existing on or after the February Petition Date (defined below), that is not subject to valid, perfected, non-avoidable and enforceable liens in existence on or as of the February Petition Date (collectively, and excluding any property that is excluded from the definition of “Collateral” in the DIP Agreement, the “**Unencumbered Property**”), including, without limitation, accounts, inventory, equipment, capital stock in subsidiaries, investment property, instruments, chattel paper, real estate, leasehold interests, contracts, patents, copyrights, trademarks and other general intangibles and all products and proceeds thereof;
 - (ii) pursuant to Bankruptcy Code section 364(d)(1), valid binding, continuing, enforceable, fully perfected, priming liens on and security interests in the collateral (the “**Bridge Loan Collateral**”) under the February Debtors’ pre-petition short-term financing (the “**Bridge Loan**”) and the collateral (the “**Colbeck Collateral**”) securing the February Debtors’ obligations to Colbeck Capital Management, LLC (“**Colbeck**”), which liens shall be senior in all respects to the liens granted in conjunction with the Bridge Loan (the “**Bridge Loan Liens**”) and Colbeck’s liens over the Colbeck Collateral (the “**Colbeck Liens**”) and

- (iii) pursuant to Bankruptcy Code section 364(c)(3), a valid, binding, continuing, enforceable, fully-perfected junior lien on, and security interest in, all tangible and intangible pre-petition and post-petition property in which the February Debtors have an interest, whether now existing or hereafter acquired and all proceeds thereof, that is subject to non-avoidable, valid, enforceable and perfected liens that are senior in priority to the Bridge Loan Liens and the Colbeck Liens (such senior liens being the "*Prior Liens*") in existence on the February Petition Date, which security interest and lien shall be (i) senior to all liens other than the Prior Liens and (ii) subject to the Carve-Out (defined below);
- (f) authorizing the February Debtors to pay the principal, interest, fees, expenses and other amounts payable under each of the DIP Documents as they become due, including, without limitation, and the fees and expenses of the DIP Agent, all to the extent provided by and in accordance with the terms of the respective DIP Documents;
- (g) authorizing the February Debtors to use the Bridge Loan Collateral (defined below) and the Colbeck Collateral (defined below) and the granting of adequate protection to the lenders under the Bridge Loan (the "*Bridge Loan Lenders*") to protect against any diminution in the value of their respective interests in the Bridge Loan Collateral, including without limitation, any such diminution resulting from the sale, lease or use by the February Debtors (or other decline in value) in the form of the Adequate Protection Lien (defined below), payment of interest under the Bridge Loan at the default rate, 507(b) Claims (defined below), payment of the reasonable fees and expenses of the Bridge Loan Lenders, the right to credit bid and access to certain information and
- (h) vacating and modifying the automatic stay imposed by Bankruptcy Code section 362 to the extent necessary to (a) implement and effectuate the terms and provisions of the DIP Documents and the Order and (b) subject to paragraph 8 of the Order, permit the DIP Agent to, upon the occurrence and continuance of an Event of Default (as defined in the Commitment Letter) (i) reduce the amount of or terminate any outstanding commitments under the DIP Agreement, (ii) terminate the DIP Agreement, (iii) charge the default rate of interest on the DIP Loans, (iv) declare the entirety of the DIP Loans to be due and payable and/or (v) subject to the Carve-Out, exercise any and all remedies under applicable law (including the UCC).

II. CONCISE STATEMENT PURSUANT TO BANKRUPTCY RULE 4001-2³

2. Pursuant to Bankruptcy Rules 4001(b), (c) and (d) and Local Bankruptcy Rule 4001-2, the following is a concise statement and summary of the proposed material terms of the DIP Documents and the Order:

<p><u>DIP Financing Parties</u> <i>Bankruptcy Rule 4001(c)(1)(B)</i></p>	<p>Borrower: the February Debtors Guarantor: Motient Ventures Holding Inc. DIP Agent: NexBank, SSB DIP Lender: Solus Alternative Asset Management LP</p>
<p><u>Term Commitments</u> <i>Bankruptcy Rule 4001(c)(1)(B), LBR 4001-2(a)(1)</i></p>	<p>\$13,368,421.05 (plus fees and other amounts to be capitalized in accordance with the terms of the DIP Agreement and related documents multiple draw term loan facility. (Order at ¶ 5; Commitment Letter at Exhibit A p. 1; Amendment No. 5 to the Bridge Loan at ¶ 5).</p>
<p><u>Maturity</u> <i>Bankruptcy Rule 4001(c)(1)(B)</i></p>	<p>The earliest of: (i) twelve (12) months from the DIP Facility Closing Date (as defined in the Commitment Letter), (ii) the closing of a sale of all or substantially all of the assets of the February Debtors and TerreStar 1.4 Holdings LLC ("<i>TerreStar 1.4</i>"), (iii) the conversion of the February Debtors' chapter 11 cases into a liquidation proceeding pursuant to chapter 7 of the Bankruptcy Code, (iv) the acceleration of all obligations under DIP Financing after the occurrence of an event of default and (v) the effective date of the February Debtors' plan of reorganization. (Commitment Letter at Exhibit A pp. 1-2).</p>
<p><u>Limits on Use of the Term Facility</u> <i>Bankruptcy Rule 4001(c)(1)(B), LBR 4001-2(a)(9)</i></p>	<p>The proceeds of the DIP Financing shall be used by the February Debtors solely to: (i) pay fees and expenses associated with the DIP Financing, (ii) make one or more intercompany loans to certain subsidiaries of TSC in an aggregate amount not to exceed \$100,000 or such higher amount with the consent of the Requisite Lenders (as defined in the Commitment Letter), (iii) in accordance with the Budget, provide for the February Debtors' ongoing working capital requirements and (iv) make payments and settlements of pre-petition claims, subject to the reasonable consent of the Requisite Lenders. Notwithstanding the foregoing (A) in the absence of a continuing event of default, the proceeds of the DIP Financing may be used to pay all professional fees incurred by the February Debtors and by any statutory committee and (B) after the occurrence and during the continuance of an event of default, the proceeds of the DIP Financing may be used to pay the unpaid professional fees that have been incurred prior to the occurrence of such event of default and approved by the Bankruptcy Court plus \$800,000 in the aggregate for any professional fees incurred after the occurrence of any such event of default and approved by the Bankruptcy Court. (Order at ¶ 5; Commitment Letter at Exhibit A pp. 3-4).</p>
<p><u>Use of Cash Collateral</u> <i>Bankruptcy Rule 4001(c)(1)(B), LBR 4001-2(a)(9)</i></p>	<p>To provide working capital and for other general corporate purposes of the February Debtors, including for payment of any adequate protection obligations. (Order at ¶ 12).</p>

³ This statement is qualified in its entirety by reference to the provisions of the DIP Agreement, the Commitment Letter and the Order. To the extent of any inconsistency between this concise statement and the Commitment Letter, the Commitment Letter shall govern.

<p>Interest Rate <i>Bankruptcy Rule</i> 4001(c)(1)(B), LBR 4001-2(a)(3)</p>	<p>Interest Rate: 12.5% per annum payable in cash and monthly in arrears. Default Interest Rate: The rate that would otherwise be applicable plus 2% per annum. (Commitment Letter at Exhibit A pp. 2-3).</p>
<p>Fees <i>Bankruptcy Rule</i> 4001(c)(1)(B), LBR 4001-2(a)(3)</p>	<p>Commitment Fee: The February Debtors shall pay a commitment fee in an amount equal to 4.0% of the principal amount of the DIP Financing, which fee shall be earned in full and payable in kind upon the initial funding of the DIP Financing. Administrative Agency Fee: The February Debtors shall pay an administrative agency fee equal to \$15,000, which fee shall be non-refundable and fully earned on the DIP Facility Closing Date (as defined in the Commitment Letter).⁴ (Commitment Letter at Exhibit A p. 3).</p>
<p>Budget <i>Bankruptcy Rule</i> 4001(c)(1)(B)</p>	<p>So long as any commitments remain outstanding under the DIP Financing, the February Debtors must operate within the Budget; provided, however, that certain line items in the Budget including estate retained professionals, shall not be subject to this requirement. (Order at ¶ 5; Commitment Letter at Exhibit A pp. 3-4).</p>
<p>Milestone Requirements <i>Bankruptcy Rule</i> 4001(c)(1)(B)(v)-(vii)</p>	<p>The February Debtors shall meet the following deadlines for the plan confirmation process: on or prior to November 30, 2011, entry of an order by the Court confirming a plan of reorganization of the February Debtors containing treatment of claims and release provisions that are reasonably acceptable to the Requisite Lenders and providing that the February Debtors will work in good faith and consult with the DIP Lender regarding the remaining terms of such plan of reorganization. (Commitment Letter at Exhibit A p. 6).</p>
<p>Covenants <i>Bankruptcy Rule</i> 4001(c)(1)(B), LBR 4001-2(a)(8)</p>	<p>The loan documentation will contain affirmative, negative and reporting covenants customary for financings of this type and other covenants appropriate to this specific transaction as agreed to by the February Debtors and the DIP Lender, including, without limitation, the following:</p> <p>Covenants: Covenants regarding provision of financial statements, notices of litigation, defaults and unmatured defaults and other information (including pleadings, motions, applications, and other documents filed with the Court or distributed to any official committee appointed in the February Debtors' chapter 11 cases), compliance with permits, licenses (including FCC permits, licenses and approvals) and laws (including, without limitation, ERISA and environmental laws), inspection of properties, books and records, maintenance of insurance, limitations with respect to liens and encumbrances (including, without limitation, a prohibition on pledging or encumbering membership units of TerreStar 1.4), dividends and retirement of capital stock (other than the cash payment to holders of preferred stock of TSC upon the effective date of the February Debtors' plan of reorganization), guarantees, sale and lease back transactions, consolidations and mergers, investments, capital expenditures, loans and advances, indebtedness, transactions with affiliates, prepayment of other indebtedness and amendments to material agreements, in each case subject to certain exceptions to be agreed upon.</p> <p>Financial Reporting: Among other things, the documents evidencing the DIP Loan will provide for the following financial reporting: (i) annual, audited financial statements, (ii) quarterly, internally prepared, financial statements, (iii) monthly, internally prepared, financial statements, (iv) delivery of updated Budgets, (v) delivery of monthly compliance certificates, including a reconciliation of actual results for the immediately preceding month to the budgeted amounts for such month and a detail explanation of the all variances, (vi) annual projections, including monthly balance sheet, profit and loss and cash flow figures and (vii) other reporting as reasonably required by the Requisite Lenders. (Commitment Letter at Exhibit A pp. 5-6).</p>

⁴ The administrative agency fee is slightly higher than the fee originally contemplated in the Commitment Letter.

<p><u>Liens and Priorities</u> <i>Bankruptcy Rule</i> <i>4001(c)(1)(B),</i> <i>LBR 4001-2(a)(4)</i></p>	<p><u>Liens:</u> The February Debtors grant the following as collateral securing all DIP Financing obligations, subject to the Carve-Out:</p> <p><u>Liens on DIP Collateral:</u> (i) Pursuant to section 364(c)(2), a fully perfected first priority security interest in and lien on the Unencumbered Property; (ii) pursuant to section 364(d)(1), a fully perfected first priority security interests in and priming liens on the Bridge Loan Collateral and Colbeck Collateral and (iii) pursuant to Bankruptcy Code section 364(c)(3), junior liens on property secured by Prior Liens, subject to the Carve-Out. (Order at ¶ 7)</p> <p><u>Future Property:</u> The DIP Collateral includes all property and assets of the February Debtors and their estates, real and personal, tangible and intangible, including all causes of action (subject to the limitation noted below and the exclusion of assets on which the grant of such lien would be prohibited by law), whether owned as of the February Petition Date or after acquired or arising, and regardless of where located or by whomsoever held, and whether now owned or in which the February Debtors have any interest or hereafter acquired or in which the February Debtors obtain an interest. (Order at ¶ 7).</p> <p><u>Avoidance Actions:</u> The DIP Collateral shall include the proceeds of any of the February Debtors' claims and causes of action arising under Bankruptcy Code sections 542-553 (collectively, the "<i>Avoidance Actions</i>"). This constitutes an "extraordinary provision" (a "<i>Material Provision</i>") under General Order M-274 of the United States Bankruptcy Court for the Southern District of New York. (Order at ¶ 7; Commitment Letter at Exhibit A p. 2).</p> <p><u>Priorities:</u> Pursuant to Bankruptcy Code section 364(c)(1), obligations under the DIP Financing constitute superpriority administrative expenses in the February Debtors' chapter 11 cases. (Order at ¶ 6).</p>
<p><u>Carve-Out</u> <i>LBR 4001-2(a)(5),</i> <i>4001-2(d)</i></p>	<p>The "<i>Carve-Out</i>" applies to: (i) all fees required to be paid to the Clerk of the Bankruptcy Court and to the Office of the United States Trustee under section 1930(a) of title 28 of the United States Code; (ii) allowed professional fees and expenses incurred by the February Debtors or a statutory committee (if any), subject to entry of a customary order of the Court and (iii) after the occurrence and during the continuance of an Event of Default under the DIP Documents, the payment of allowed professional fees and expenses incurred by the February Debtors or a statutory committee after the occurrence of the Event of Default in an aggregate amount not in excess of \$800,000 (plus all unpaid professional fees and expenses allowed by this Court that were incurred prior to the occurrence of such Event of Default); <i>provided that</i> (Y) so long as no Event of Default shall have occurred and be continuing, the Carve-Out shall not be reduced by the payment of fees and expenses allowed by this Court under Bankruptcy Code sections 328, 330 and 331 and (Z) nothing in the Order shall impair the right of any party to object to the reasonableness of any such fees or expenses to be paid by the February Debtors' estates. (Order at ¶ 6).</p>
<p><u>Adequate Protection for Pre-petition Lenders</u> <i>Bankruptcy Rules</i> <i>4001(b)(1)(B)(iv) and</i> <i>4001(c)(1)(B)(ii),</i> <i>LBR 4001 2(a)(4)</i></p>	<p>As described in more detail below, the interests of the holders of the Prior Liens, if any, the Bridge Loan Lenders and Colbeck are adequately protected as the value of the February Debtors' assets greatly exceeds the amount of secured debt encumbering such assets. As further adequate protection, the Bridge Loan Lenders will be granted an Adequate Protection Lien (defined below), payment of interest on the Bridge Loan at the default rate, 507(b) Claims (defined below), payment of the reasonable fees and expenses of the Bridge Loan Lenders, the right to credit bid and access to certain information. (Order at ¶ 13).</p>
<p><u>Events of Default</u> <i>Bankruptcy Rule</i> <i>4001(c)(1)(B),</i> <i>LBR 4001-2(a)(10)</i></p>	<p>The DIP Agreement will contain usual and customary events of default, including, but not limited to, payment, cross-default, violation of covenants, breach of representations or warranties, bankruptcy or insolvency (with respect to TerreStar 1.4), judgment, ERISA, environmental, material adverse deviation from the Budget subject to such line items (excluding, among other things, the professional fees and expenses incurred by the Borrowers and by any official committees approved by the Court in the February Debtors' chapter 11 cases and the fees</p>

	<p>pursuant to 28 U.S.C. § 1930) and variances in the Budget to be agreed upon, change of control, termination or a breach of the Spectrum Lease Agreement (as defined in the Commitment Letter), or the loss or revocation of any FCC license with respect to TerreStar 1.4's ability to operate the 1.4GHz spectrum.</p> <p>In addition, an event of default shall occur if: (i) any of the February Debtors' chapter 11 cases shall be dismissed or converted to a chapter 7 case; a chapter 11 trustee or an examiner with enlarged powers shall be appointed; any other superpriority administrative expense claim which is senior to or <i>pari passu</i> with the DIP Agent's claims shall be granted; the Order shall be stayed, amended, modified, reversed or vacated; the February Debtors' plan of reorganization shall be confirmed in any of the February Debtors' chapter 11 cases which does not provide for payment in full in cash of the February Debtors' obligations thereunder on the effective date of the February Debtors' plan of reorganization or an order shall be entered which dismisses any of the February Debtors' chapter 11 cases and which order does not provide for termination of the DIP Financing and payment in full in cash of all obligations thereunder or the February Debtors shall take any action, including the filing of an application, in support of any of the foregoing or any person other than the February Debtors shall do so and such application is not contested in good faith by the February Debtors and the relief requested is granted in an order that is not stayed pending appeal or (ii) the Court shall enter an order granting relief from the automatic stay to the holder of any security interest in any asset of the February Debtors having a book value in an amount to be determined. (Commitment Letter at Exhibit A pp. 6-7).</p>
<p><u>Waiver or Modification of the Automatic Stay</u> <i>Bankruptcy Rule 4001(c)(1)(B)</i> <i>LBR 4001-2(a)(10)</i></p>	<p>The automatic stay is vacated to permit the exercise of remedies by the DIP Lender and/or the DIP Agent; provided, that the DIP Lender and/or DIP Agent may only exercise rights and remedies against DIP Collateral upon the provision of five (5) business days' prior notice to the February Debtors and certain other parties. (Order at ¶ 8).</p>
<p><u>Waivers/Modification Regarding Perfection or Enforcement of a Lien</u> <i>Bankruptcy Rule 4001(c)(1)(B)(viii)</i></p>	<p>The Order is effective to create in favor of the DIP Lender legal, valid, enforceable and fully perfected security interests in and liens on the DIP Collateral. (Order at ¶ 7).</p>
<p><u>Change of Control</u> <i>LBR 4001-2(a)(11)</i></p>	<p>The occurrence of a change of control constitutes an event of default under the DIP Financing. (Commitment Letter at Exhibit A pp. 6-7).</p>
<p><u>Joint Liability</u> <i>LBR 4001-2(a)(14), 4001-2(e)</i></p>	<p>The February Debtors are the borrowers and the Guarantor is the guarantor under the DIP Financing. Additionally, the liens and superpriority claims granted under the DIP Financing apply to the estate of each of the February Debtors in these chapter 11 cases. (Commitment Letter at Exhibit A p. 1).</p>
<p><u>Funding of Non-Debtor Affiliates</u> <i>LBR 4001-2(a)(15)</i></p>	<p>The proceeds of the DIP Financing may be used to make one or more intercompany loans to certain subsidiaries of TSC in an aggregate amount not to exceed \$100,000 or such higher amount with the consent of the Requisite Lenders. (Commitment Letter at Exhibit A p. 3).</p>
<p><u>Indemnification</u> <i>Bankruptcy Rule 4001(c)(1)(B)(ix)</i></p>	<p>The February Debtors shall indemnify the DIP Lender and its affiliates and each of their assignees, and each of their directors, officers, employees and agents pursuant to customary indemnification provisions. (Commitment Letter at 2).</p>

<p><u>Conditions to Closing and Initial Borrowing</u> <i>Bankruptcy Rule 4001(c)(1)(B), LBR 4001-2(a)(2) and 4001-2(h)</i></p>	<p>The DIP Agreement contains conditions precedent to the DIP Lender's obligations under the DIP Financing. (Order at ¶ 5; Commitment Letter at Exhibit A pp. 4-5).</p>
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3. As set forth herein, these provisions were thoroughly negotiated and are necessary for the February Debtors to effectuate the DIP Financing and procure the financing made available under the DIP Financing in a sufficient amount and on a timely basis.

III. PRELIMINARY STATEMENT

4. By this motion, the February Debtors and the Guarantor are seeking authority to enter into a debtor in possession financing facility in the amount of \$13,368,421.05, under which the February Debtors will be the borrowers and which will be guaranteed by the Guarantor, one of the Other TSC Debtors. The DIP Financing will provide the necessary financing required for the continued viability of the February Debtors and the success of the February Debtors' reorganization efforts.

5. As of the February Petition Date, the February Debtors had cash on hand of less than \$100,000. Absent access to the proposed DIP Financing, the February Debtors will not be able to safeguard their assets for more than a brief period during these chapter 11 cases and will be forced to liquidate assets to the detriment of all parties in interest in these chapter 11 cases. Approval of the DIP Financing will allow the February Debtors to, among other things, preserve their assets and complete a successful reorganization.

6. As discussed in more detail below (as well as in the various declarations filed in connection herewith), the February Debtors' decision to enter into the proposed DIP Financing is the culmination of an intense, several month process targeted at procuring DIP Financing that

was coupled with a concomitant exit strategy in a situation where the February Debtors needed one.

IV. BACKGROUND

7. On October 19, 2010 (the “*October Petition Date*”), each of the Other TSC Debtors, together with TerreStar Networks Inc. (“*TSN*”) and certain of its affiliates (collectively with TSN, the “*TSN Debtors*” and, together with the Other TSC Debtors, the “*October Debtors*”) filed a petition with this Court under chapter 11 of the Bankruptcy Code. On February 16, 2011 (the “*February Petition Date*” and together with the October Petition Date, the “*Petition Date*”), each of the February Debtors filed a petition with this Court under chapter 11 of the Bankruptcy Code. The February Debtors are operating their business and managing their property as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases.

8. On October 20, 2010, the Court entered an order providing for the joint administration of the Other TSC Debtors’ cases for procedural purposes under the case of TSN. Contemporaneous with the filing of the petitions for the February Debtors, the Other TSC Debtors requested that their cases be de-consolidated from the case of TSN, and the TSC Debtors sought procedural consolidation and joint administration of the chapter 11 cases of the Other TSC Debtors and the February Debtors under the case of TSC.

9. On October 29, 2010, the United States Trustee for the Southern District of New York (the “*U.S. Trustee*”) appointed an official committee of unsecured creditors (the “*Committee*”) of the October Debtors. No statutory committees have been appointed or designated in the February Debtors’ cases.

10. A detailed description of the TSC Debtors’ business and the reasons for filing these chapter 11 cases is set forth in the Declaration of Jeffrey W. Epstein Pursuant to Local

Bankruptcy Rule 1007-2 in Support of First Day Pleadings (the “*First Day Declaration*”), which was filed on the February Petition Date.

V. JURISDICTION AND VENUE

11. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

VI. OUTSTANDING PRE-PETITION INDEBTEDNESS

12. As of the February Petition Date, the instruments evidencing the February Debtors’ significant indebtedness are as described below:

Name of Facility	Borrower, Issuer, Guarantor	Secured or Unsecured	Date Issued / Name of Trustee or Lender	Amount Outstanding as of the Petition Date
Term Loan Credit Agreement (the “ <i>Bridge Loan</i> ”)	Borrowers: the February Debtors Administrative Agent: NexBank, SSB (the “ <i>Bridge Loan Agent</i> ”)	Secured	November 19, 2010	\$4,308,262.98
Promissory Note	Obligor: TSC and TS Holdings Lender: Colbeck	Secured	January 28, 2011	\$125,000
Promissory Note	Obligor: TSC and TS Holdings Lender: Colbeck	Secured	February 2, 2011	\$750,000

VII. DEBTORS’ PROPOSED DIP FINANCING

A. Need for Post-petition Financing

13. As described more fully in the First Day Declaration and the Declaration of Steven W. Zelin in Support of the DIP Motion (the “*Zelin Declaration*”), attached hereto as Exhibit C, the February Debtors currently do not generate sufficient cash to cover their expenses and require additional funds. See First Day Declaration at ¶ 30; Zelin Declaration at ¶ 6.

14. The February Debtors have, with the assistance of their financial advisors, Blackstone Advisory Partners L.P. (“*Blackstone*”), analyzed their cash needs in an effort to

determine what is necessary to maintain their business in chapter 11 and work towards a successful reorganization. In undertaking this analysis, the February Debtors and their advisors have considered the impact of the current economic outlook on the February Debtors' near term projected financial performance. The February Debtors also conferred with individuals in the February Debtors' management team to understand key business metrics in both the near and long term. *See Zelin Declaration at ¶ 9.*

15. As part of the February Debtors' recent financial analysis and projections, the February Debtors developed a 13-week cash flow forecast, which takes into account anticipated cash receipts and disbursements during that time. This forecast considers a number of factors, including, among others, the impact of a bankruptcy filing, material cash disbursements and cash flows. *See Zelin Declaration at ¶ 9.*

16. Absent approval of the DIP Financing and the February Debtors' use of Cash Collateral, the February Debtors' financial analysis and projections make clear that the February Debtors' current cash on hand and minimal cash generated will be insufficient to, among other things, preserve the February Debtors' assets during the pendency of these chapter 11 cases. Without access to the DIP Financing and the use of Cash Collateral, the February Debtors will soon have *no* cash available to maintain their business and make the necessary expenditures that are critical to their success. As such, the February Debtors would be forced to curtail or even terminate their business to the material detriment of all parties in interest in these chapter 11 cases. Thus, the February Debtors need to ensure that working capital is available now. *See First Day Declaration at ¶ 42; Zelin Declaration at ¶ 10.*

B. The February Debtors' Efforts to Obtain Post-petition Financing

17. Up until a few days before the October Petition Date, and as set forth in more detail in the First Day Declaration, the February Debtors had contemplated filing for chapter 11

at the same time as the Other TSC Debtors. However, certain of the largest preferred shareholders (the “*Preferred Shareholders*”) of TSC’s preferred stock requested that the February Debtors refrain from filing for chapter 11 while they worked with the February Debtors on the terms of a consensual restructuring.

18. As part of the consensual negotiations, the Preferred Shareholders agreed to provide the February Debtors with the Bridge Loan in the original principal amount of \$2.65 million while the parties determined if a consensual restructuring could be achieved, and Highland Capital Management, L.P. agreed to toll certain litigation outstanding against TSC. As such, and as an accommodation to the above-mentioned Preferred Shareholders, the February Debtors delayed a chapter 11 filing to pursue a consensual restructuring.

19. Despite the best efforts of all parties, the February Debtors and the Preferred Shareholders were unable to reach agreement reasonably satisfactory to the February Debtors regarding post-petition financing. When it became apparent that the TSC Debtors and the Bridge Lenders were unlikely to reach agreement regarding a potential debtor-in-possession facility and the TSC Debtors were nearly out of cash, consistent with their fiduciary duties, the TSC Debtors canvassed the market for third-party debtor-in-possession financing and signed a commitment letter with the third-party lender. Prior to consummating the third-party debtor in possession financing, one of the Bridge Lenders/Preferred Shareholders offered a debtor in possession financing facility with more favorable terms than those offered by the third-party. Specifically, the proposed DIP Financing has a lower rate of interest, provides for multiple draws and does not have any prepayment penalties. Accordingly, on February 2, 2011, the February Debtors executed the Commitment Letter. Importantly, in addition to providing the February Debtors with debtor in possession financing, the Commitment Letter provides that the DIP Financing

may be rolled into an exit facility, paving the way for a successful restructuring, the terms of which will be set forth in the joint chapter 11 plan of reorganization of the February Debtors and related disclosure statement, which the February Debtors intend to file shortly.

20. Shortly after the Commitment Letter was executed, it became apparent that additional funds would be needed to allow the February Debtors to revise pleadings and proceed with the debtor in possession facility contemplated by the Commitment Letter. Accordingly, on February 4, 2011, the Bridge Loan was amended to provide for an additional borrowing of \$1,631,578.95. In connection with the amendment to the Bridge Loan, the parties agreed to reduce the amount committed under the Commitment Letter by \$1,631,578.95.

21. Prior to and during the consensual negotiations, the February Debtors and their advisors analyzed and marketed various DIP financing structures, evaluated the February Debtors' need for financing (*i.e.*, amount, type, etc.) and carefully weighed the effect that the February Debtors' pre-petition capital structure would have on both its ability to attain DIP financing as well as ultimately exit from chapter 11. In exploring all of its options, the February Debtors recognized that substantially all of the February Debtors' assets served as security for the Bridge Loan, such that either (i) the liens securing the Bridge Loan would have to be "primed" to obtain post-petition financing, (ii) the February Debtors would have to find a post-petition lender willing to extend credit to pay off the Bridge Loan or (iii) the February Debtors would have to find a post-petition lender willing to extend credit on a junior basis, all while considering that the existing Preferred Shareholders were the likely providers of post-petition financing.

22. In light of the above, and after thoroughly considering all other options, the February Debtors determined that the proposal by the DIP Lender, which, upon information and

belief, provided for the consensual priming of the Bridge Loan Liens, was in the best interests of the February Debtors and all of their stakeholders. Specifically, the February Debtors concluded that the DIP Financing proposal that is the subject of this DIP Motion was superior to all other options because it eliminates the risk of a “priming” fight with the Bridge Loan Lenders and provides the February Debtors with the financing necessary to continue their business during these chapter 11 cases. The February Debtors believe that their decision to pursue this restructuring plan will be beneficial to their estates and will ensure a swift exit from these bankruptcy proceedings.

23. Based on these factors, and in light of the fair and thorough negotiation process undertaken by the February Debtors, the DIP Financing is the only feasible post-petition financing option for the February Debtors and is in the best interests of the February Debtors’ estates.

C. Implementation of the DIP Agreement

24. The DIP Agreement will allow the February Debtors to draw on a \$13,368,421.05 commitment from the DIP Lender. This commitment should allow the February Debtors to meet all of their administrative obligations during these chapter 11 cases while at the same time making the necessary expenditures that are critical to the February Debtors’ future success as a business.

25. The February Debtors and the DIP Lender have agreed upon a budget (the “*Budget*”) for the thirteen-week period following the commencement of the DIP Financing. The February Debtors believe that the Budget is achievable and will allow the February Debtors to operate without the accrual of unpaid administrative expenses. *See Zelin Declaration at ¶ 11.*

VIII. SUPPORTING AUTHORITY

26. The continued viability of the February Debtors' business and the success of the February Debtors' reorganization efforts hinge upon obtaining access to financing. Absent access to financing, the February Debtors will not be able to maintain their business for the duration of these chapter 11 cases. At this time, the February Debtors request authorization to borrow \$13,368,421.05 (plus all fees, interest and other amounts to be capitalized pursuant to the DIP Agreement and related documents) under the terms consistent with those outlined in the Commitment Letter and to use such proceeds to maintain their business during the pendency of these chapter 11 cases.

27. As set forth in detail above, the DIP Financing is the best financing available to the February Debtors at this time. The February Debtors have been unable to procure sufficient financing: (a) in the form of unsecured credit allowable under Bankruptcy Code section 503(b)(1); (b) solely as an administrative expense under Bankruptcy Code sections 364(a)-(b) or (c) in exchange solely for the grant of a superpriority administrative expense claim pursuant to Bankruptcy Code section 364(c). Thus, based on the foregoing and for the reasons set forth below, the February Debtors submit that they have satisfied the requirements to access post-petition financing on a superpriority, secured basis pursuant to Bankruptcy Code section 364.

A. The February Debtors Should Be Authorized to Obtain Post-petition Financing Under Bankruptcy Code Section 364

(i) Financing Under Bankruptcy Code Section 364(c) is Appropriate

28. Pursuant to Bankruptcy Code section 364(c), a court may authorize a debtor to incur debt that is (a) entitled to a superpriority administrative expense status; (b) secured by a lien on otherwise unencumbered property or (c) secured by a junior lien on encumbered property

if the debtor cannot obtain post-petition credit on an unsecured basis, on an administrative expense priority or secured solely by junior liens on the debtor's assets. *See* 11 U.S.C. § 364(c);⁵ *In re Barbara K. Enters, Inc.*, No. 08-11474 (MG), 2008 WL 2439649, at *8 (Bankr. S.D.N.Y. June 16, 2008) (in order for a debtor to obtain post-petition secured credit under section 364, the debtor must prove that it was unable to reasonably obtain secure credit elsewhere); *Pearl-Phil GMT (Far East) Ltd. v. Caldor Corp.*, 266 B.R. 575, 584 (S.D.N.Y. 2001) (superpriority administrative expenses authorized where debtor could not obtain credit as an administrative expense).

29. Courts in this jurisdiction and others have fashioned guidelines in applying these statutory requirements. Generally, courts advocate using a “holistic approach” to evaluate superpriority post-petition financing agreements, which focuses on the transaction as a whole. As one court has noted:

Obtaining credit should be permitted not only because it is not available elsewhere, which could suggest the unsoundness of the basis for use of the funds generated by credit, but also because the credit acquired is of significant benefit to the debtor's estate and . . . the terms of the proposed loan are within the bounds of reason, irrespective of the inability of the debtor to obtain comparable credit elsewhere.

In re Aqua Assocs., 123 B.R. 192, 196 (Bankr. E.D. Pa. 1991); *see also In re YL W. 87th Holdings I LLC*, 423 B.R. 421, 442 (Bankr. S.D.N.Y. 2010).

⁵ Specifically, Bankruptcy Code section 364(c) provides, in pertinent part, that:

If the trustee [or debtor in possession] is unable to obtain unsecured credit allowable under section 503(b)(1) of this title as an administrative expense, the court, after notice and a hearing, may authorize the obtaining of credit or the incurring of debt – (1) with priority over any or all administrative expenses of the kind specified in section 503(b) or 507(b) of this title; (2) secured by a junior lien on property of the estate that is not otherwise subject to a lien; or (3) secured by a junior lien on property of the estate that is subject to a lien.

11 U.S.C. § 364(c).

30. More specifically, in evaluating a debtor's proposed post-petition financing, courts consider whether the post-petition financing: (a) is necessary to preserve the assets of the estate and is necessary, essential and appropriate for continued operation of the debtor's business; (b) is in the best interests of the debtor's creditors and estates; (c) is an exercise of the debtor's sound and reasonable business judgment; (d) was negotiated in good faith and at arm's length between the debtor, on the one hand, and the agents and the lenders on the other and (e) contains terms that are fair, reasonable and adequate given the circumstances of the debtor and the proposed post-petition lender. *See In re Farmland Indus., Inc.*, 294 B.R. 855, 881 (Bankr. W.D. Mo. 2003) *cited in* Tr. of Rec. at 733:3-6, *In re Lyondell Chem. Co.*, No. 09-10023 (Bankr. S.D.N.Y. Feb. 27, 2009)⁶; *see also In re Barbara K. Enters., Inc.*, 2008 WL 2439649 at *10; *In re Ames Dep't Stores, Inc.*, 115 B.R. 34, 40 (Bankr. S.D.N.Y. 1990).

31. The February Debtors propose to obtain the financing substantially in the form provided for in the Commitment Letter by providing, among other things, superpriority claims, security interests and liens pursuant to Bankruptcy Code sections 364(c)(1)–(3) and Bankruptcy Code section 364(d). For the reasons set forth below, the February Debtors submit that entry into the DIP Financing satisfies each of these factors.

(ii) *The Priming of the Bridge Loan Liens and the Colbeck Liens Under Bankruptcy Code Section 364(d) is Appropriate*

32. A priming lien can be granted in one of two ways – one, with the consent of the secured creditor who is being primed or two, if the February Debtors are able to show that the requirements of Bankruptcy Code section 364(d) have been satisfied. Under the DIP Agreement, the DIP Agent, on behalf of the DIP Lenders, is being granted priming liens on, and security

⁶ Because of the voluminous nature of the orders and transcripts cited herein, they are not attached to the DIP Motion. Copies of all orders and transcripts cited herein are available on request of the TSC Debtors' counsel.

interests in, the Bridge Loan Collateral and Colbeck Collateral. To be clear, while the DIP Liens on the Bridge Loan Collateral and Colbeck Collateral will prime, and be senior in all respects to, the security interests in, and liens on, the Bridge Loan Collateral and the Colbeck Collateral, they will be junior to any Prior Liens, although the February Debtors do not believe any Prior Liens exist.

33. On information and belief, the Bridge Loan Lenders have consented to the Bridge Loan Collateral being primed by the DIP Liens. Accordingly, the Debtors submit that no showing under Bankruptcy Code section 364(d) is required and request that the Court approve the grant of the priming liens on the Bridge Loan Collateral.

34. Bankruptcy Code section 364(d)(1) provides that a court may grant a priming lien if (A) debtor in possession financing cannot be obtained otherwise and (B) there is adequate protection of the interest of the holder of such lien. As explained above, the February Debtors are unable to otherwise obtain financing from an alternative source without priming the existing security interests. Further, the interests of both the Bridge Loan Lenders and Colbeck are adequately protected as the value of the Bridge Loan Collateral and the Colbeck Collateral greatly exceeds the amount of secured debt encumbering such assets. *See Zelin Declaration at ¶21.* Therefore, granting priming liens on the Bridge Loan Collateral and the Colbeck Collateral is appropriate.

B. The DIP Financing Was Negotiated in Good Faith and Entry into the DIP Financing Is in the Best Interests of the February Debtors' Creditors and Estates, Is Necessary to Preserve Estate Assets and Is an Exercise of the February Debtors' Sound and Reasonable Business Judgment

35. A debtor's decision to enter into a post-petition lending facility under Bankruptcy Code section 364 is governed by the business judgment standard. *See Barbara K. Enters.*, 2008 WL 2439649, at *14 (explaining that courts defer to a debtor's business judgment); *Ames Dep't*

Stores, 115 B.R. at 38 (noting that financing decisions under Bankruptcy Code section 364 must reflect a debtor's business judgment). Courts grant a debtor considerable deference in acting in accordance with its sound business judgment. *See, e.g., Barbara K. Enters.*, 2008 WL 2439649, at *14 (explaining that courts defer to a debtor's business judgment "so long as a request for financing does not 'leverage the bankruptcy process' and unfairly cede control of the reorganization to one party in interest."); *Trans World Airlines, Inc. v. Travellers Int'l AG (In re Trans World Airlines, Inc.)*, 163 B.R. 964, 974 (Bankr. D. Del. 1994) (approving post-petition loan and receivables facility because such facility "reflect[ed] sound and prudent business judgment"); *In re Simasko Prod. Co.*, 47 B.R. 444, 449 (Bankr. D. Colo. 1985) ("[D]iscretion to act with regard to business planning activities is at the heart of the debtor's power.") (citations omitted).

36. Specifically, to determine whether the business judgment standard is met, a court is "required to examine whether a reasonable business person would make a similar decision under similar circumstances." *In re Dura Auto. Sys., Inc.*, No. 06-11202 (KJC), 2007 Bankr. LEXIS 2764, at *272 (Bankr. D. Del, Aug. 15, 2007) (quoting *In re Exide Techs.*, 340 B.R. 222, 239 (Bankr. D. Del. 2006)); *In re Brooklyn Hosp. Ctr. and Caledonian Health Ctr., Inc.*, 341 B.R. 405, 410 (Bankr. E.D.N.Y. 2006) (the business judgment rule "is a presumption that in making a business decision, the directors of a corporation acted on an informed basis, in good faith, and in the honest belief that the action taken was in the best interests of the company") quoting *Official Comm. of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.)*, 147 B.R. 650, 656 (S.D.N.Y. 1992); *see also In re Curlew Valley Assocs.*, 14 B.R. 506, 513-14 (Bankr. D. Utah 1981) (noting that courts should not second guess a debtor's business decision when that decision involves "a business judgment made in good faith, upon a

reasonable basis, and within the scope of [the debtor's] authority under the [Bankruptcy] Code.”) (citation omitted).

37. Furthermore, in determining whether the February Debtors and the Guarantor have exercised sound business judgment in deciding to enter into the DIP Documents, the Court should consider the economic terms of the DIP Financing in light of current market conditions. *See, e.g.,* Tr. of Rec., 734-35:24, *In re Lyondell Chem. Co.*, Case No. 09-10023 (Bankr. S.D.N.Y. Feb. 27, 2009) (recognizing “the terms that are now available for DIP financings in the current economic environment aren’t as desirable” as in the past). Moreover, it is appropriate for the Court to consider non-economic benefits to the February Debtors and the Guarantor offered by a proposed post-petition financing facility. For example, in *In re ION Media Networks, Inc.*, the Bankruptcy Court for the Southern District of New York held that:

Although all parties . . . are naturally motivated to obtain financing on the best possible terms, the business decision to obtain credit from a particular lender is almost never based purely on economic terms. Relevant features of the financing must be evaluated, including non-economic factors. . . . This is particularly true in a bankruptcy setting where cooperation and established alliances with creditor groups can be a vital part of building support for a restructuring that ultimately may lead to a confirmable plan of reorganization. That which helps foster consensus may be preferable to a notionally better transaction that carries the risk of promoting unwanted conflict.

Case No. 09-13125 (Bankr. S.D.N.Y. July 6, 2009).

38. The February Debtors’ and the Guarantor’s decision to enter into the proposed DIP Agreement is an exercise of their sound business judgment that warrants approval by the Court. As described in more detail above, the February Debtors’ and the Guarantor’s decision to enter into the DIP Agreement is the culmination of an intense, several month process targeted at procuring the best available financing under the circumstances. The February Debtors and the Guarantor negotiated the DIP Documents with the DIP Lender in good faith, at arm’s length and

with the assistance of outside advisors to obtain the required post-petition financing on the most favorable terms possible to the February Debtors and the Guarantor. Moreover, entry into the DIP Agreement with the DIP Lender is part of a comprehensive global restructuring plan that will facilitate the February Debtors' exit from bankruptcy.

39. Based on the advice of counsel and the February Debtors' the Guarantor's other advisors, and the February Debtors' and the Guarantor's own analysis, the February Debtors and the Guarantor have determined in their sound business judgment that the DIP Financing provides financing on more favorable terms than any other reasonably available alternative.

40. Moreover, entry into the DIP Agreement and securing financing thereunder is absolutely necessary to the preservation of estate assets and is in the best interest of the February Debtors' creditors and all parties in interest; therefore, entry into the DIP Agreement is an exercise of the February Debtors' sound business judgment. Given the February Debtors' significantly constrained liquidity, the DIP Financing is of critical importance to preserving the February Debtors' going concern value.

41. The February Debtors have an urgent need to obtain access to the DIP Financing to, among other things, provide sufficient funds for the February Debtors to negotiate the chapter 11 process – which is vital to preserving and maintaining the February Debtors' assets. The inability to meet these needs would impair, if not destroy, the February Debtors' prospects for reorganization. In short, without access to the liquidity provided by the DIP Financing, the February Debtors would be forced to liquidate their assets to the detriment of all parties in interest in these chapter 11 cases.

42. Additionally, the February Debtors' access to the DIP Financing will ensure that the value of their assets is preserved, thereby providing a greater recovery to the February

Debtors' creditors than would be realized if the February Debtors were forced to engage in a fire sale liquidation of their assets. Accordingly, the February Debtors submit that the availability of credit under the DIP Financing is necessary to preserve and enhance the value of their estates for the benefit of all stakeholders in these chapter 11 cases.

43. For these reasons, the February Debtors and the Guarantor submit that the terms of the DIP Financing were negotiated in good faith and that entry into the DIP Agreement is in the best interests of the February Debtors' creditors, is necessary to preserve the value of estate assets and is an exercise of the February Debtors' and the Guarantor's sound and reasonable business judgment.

C. The DIP Financing is the Best Source of Funding Available to the February Debtors

44. It is well recognized in this jurisdiction and others that the appropriateness of a proposed post-petition financing facility must be considered in light of current market conditions. *See, e.g.*, Tr. of Rec. at 734-35:24, *In re Lyondell Chem. Co.*, Case No. 09-10023 (Bankr. S.D.N.Y. Feb. 27, 2009); *Bray v. Shenandoah Fed. Savs. & Loan Assoc. (In re Snowshoe Co. Inc.)*, 789 F.2d 1085, 1088 (4th Cir. 1986) (noting that a debtor is not required to seek credit from every possible lender before determining such credit is unavailable). Indeed, courts often recognize that where there are few lenders likely able and willing to extend the necessary credit to a debtor, "it would be unrealistic and unnecessary to require [a debtor] to conduct such an exhaustive search for financing." *In re Sky Valley, Inc.*, 100 B.R. 107, 113 (Bankr. N.D. Ga. 1988), *aff'd*, 99 B.R. 117 (N.D. Ga. 1989); *see also In re 495 Cent. Park Ave. Corp.*, 136 B.R. 626, 630 (Bankr. S.D.N.Y. 1992) (the Bankruptcy Code "does not require the debtor to seek alternate financing from every possible lender"). This is especially true when time is of the essence. *See In re Reading Tube Indus.*, 72 B.R. 329, 332 (Bankr. E.D. Pa. 1987). Rather, a debtor must demonstrate that it made a reasonable effort to seek credit from other sources

available under sections 364(a) and (b). *See Snowshoe*, 789 F.2d at 1088; *see also In re Utah 7000, L.L.C.*, No. 08-21869, 2008 WL 2654919, at *2 (Bankr. D. Utah July 3, 2008); *Shaw Indus., Inc v. First Nat'l Bank of PA (In re Shaw Indus., Inc.)*, 300 B.R. 861, 865 (Bankr. W.D. Pa. 2003) (where debtor made efforts by contacting “numerous” lenders and was unable to obtain credit without a priming lien, it had met its burden under Bankruptcy Code section 364(d)); *In re Plabell Rubber Prods., Inc.*, 137 B.R. 897, 899-900 (Bankr. N.D. Ohio 1992).

45. Though the current market for financing may be improving, it is still strained as the global economy recovers from the recent credit crisis. Simply put, because of current economic conditions, there is a limited market for financing, including debtor in possession financing or otherwise and provisions once considered “extraordinary” in debtor in possession financing arrangements have, for the time being, become standard. *See, e.g., Tr. of Rec., Lyondell*, at 740:4-6 & 752-53:22 (“[B]y reason of present market conditions, as disappointing as the [DIP] pricing terms are, I find the provisions [of a DIP that included a roll-up of pre-petition secured debt] reasonable here and now.”); *Tr. of Rec. 123:17-25, 123:1, Chemtura*, No. 09-11233 (S.D.N.Y. Mar. 20, 2009) (J. Gonzalez noting support for finding that DIP with roll-up provision was the only funding available to meet the debtors’ needs at that time).

46. Nevertheless, the February Debtors and the Guarantor believe that the terms that they have negotiated in the DIP Financing are favorable, fair and appropriate. As an overall matter, the DIP Financing is part of a comprehensive transaction, which includes a commitment for an exit strategy. Accordingly, the February Debtors and the Guarantor submit that the terms of the DIP Agreement provide financing on more favorable terms than any other reasonably available alternative.

D. The Terms of the DIP Financing Are Fair, Reasonable and Appropriate in Light of the February Debtors' Needs and the Current Market Environment

47. In considering whether the terms of post-petition financing are fair and reasonable, courts consider the terms in light of the relative circumstances of both the debtor and the potential lender. *See In re Farmland*, 294 B.R. at 886; *see also Unsecured Creditors' Comm. Mobil Oil Corp. v. First Nat'l Bank & Trust Co. (In re Elingsen MacLean Oil Co., Inc.)*, 65 B.R. 358, 365 n.7 (W.D. Mich. 1986) (recognizing a debtor may have to enter into hard bargains to acquire funds for its reorganization).

(i) The Scope of the Carve-Out Is Appropriate

48. The proposed DIP Financing subjects the security interests and administrative expense claims of the DIP Lender to the Carve-Out. Such carve-outs for professional fees have been found to be reasonable and necessary to ensure that a debtor's estate and any statutory committee can retain assistance from counsel. *See, e.g., In re Barbara K. Enters., Inc.*, 2008 WL 2439649, at *8 *citing Ames*, 115 B.R. at 37 (pointing out reservations to DIP financing proposal with no carve-out for professional fees). The DIP Financing does not directly or indirectly deprive the February Debtors' estates or other parties in interest of possible rights and powers by restricting the services for which professionals may be paid in these cases. *See Ames*, 115 B.R. at 38 (observing that courts insist on carve-outs for professionals representing parties-in-interest because "[a]bsent such protection, the collective rights and expectations of all parties-in-interest are sorely prejudiced"). Additionally, the Carve-Out protects against administrative insolvency during the course of the case by ensuring that adequate assets remain for the payment of U.S. Trustee fees, Chapter 7 Trustee Fees and professional fees notwithstanding the grant of superpriority and administrative liens and claims under the DIP Financing.

(ii) The Payment of Fees to the DIP Lender Is Appropriate

49. The various fees and charges to be paid to the DIP Lender, as described in the overview of the proposed DIP Financing and provided for in the Commitment Letter, are reasonable and appropriate under the circumstances. Courts routinely authorize similar lender incentives beyond the explicit liens and rights specified in Bankruptcy Code section 364. *See Resolution Trust Corp. v. Official Unsecured Creditors Comm. (In re Defender Drug Stores, Inc.)*, 145 B.R. 312, 319 (B.A.P. 9th Cir. 1992) (approving financing facility pursuant to Bankruptcy Code section 364 that included a lender “enhancement fee”). More specifically, the February Debtors believe that the proposed interest rate is fair, reasonable and appropriate in light of the circumstances of these cases.

E. The Use of Cash Collateral Is Appropriate

50. Pursuant to Bankruptcy Code section 363(c), the February Debtors may only use cash collateral subject to the consent of those parties or the grant of adequate protection. The February Debtors do not believe that any Prior Liens are in existence as of the February Petition Date, the Colbeck Collateral does not include any Cash Collateral and the Bridge Loan Lenders have consented to the use of Cash Collateral.

51. Further, the February Debtors submit that the Bridge Loan Lenders and Colbeck have been adequately protected. What constitutes adequate protection is decided on a case by case basis and adequate protection can come in various forms, including payment of adequate protection fees, payment of interest, granting of replacement liens and administrative claims. *See In re Mosello*, 195 B.R. 277, 289 (Bankr. S.D.N.Y. 1996) (“the determination of adequate protection is a fact specific inquiry . . . ‘left to the vagaries of each case’”) (citation omitted); *In re Realty Sw. Assocs.*, 140 B.R. 360, 366 (Bankr. S.D.N.Y. 1992); *In re Beker Indus. Corp.*, 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986) (the application of adequate protection “is left to the

vagaries of each case, but its focus is protection of the secured creditor from diminution in the value of its collateral during the reorganization process”) (citation omitted); *Suntrust Bank v. Den-Mark Constr., Inc.*, 406 B.R. 683, 694 (E.D.N.C. 2009) (the concept of adequate protection is “susceptible to differing applications over a wide range of factual situations”). The Bridge Loan Lenders and Colbeck are adequately protected as the value of the February Debtors’ assets greatly exceeds the amount of secured debt encumbering such assets.

52. As further adequate protection, and to compensate the Bridge Loan Lenders for any diminution in value of their pre-petition collateral, the February Debtors propose to provide the Bridge Loan Lenders with the following (collectively, the “***Adequate Protection Obligations***”):

- (a) ***Adequate Protection Lien.*** As security for the payment of the Adequate Protection Obligations with respect to the Bridge Loan, the Bridge Loan Lenders are hereby granted (effective and perfected upon the date of the Order and without the necessity of the execution by the February Debtors of security agreements, pledge agreements, mortgages, financing statements or other agreements) a valid, perfected replacement security interest in and lien on the DIP Collateral (the “***Adequate Protection Lien***”), subject and subordinate only to (a) the Prior Liens; (b) the DIP Liens and (c) the Carve-Out.
- (b) ***Interest.*** The February Debtors shall, on the last day of each calendar month commencing after the closing of the DIP Financing, pay to the Bridge Loan Agent for prompt distribution to the Bridge Loan Lenders the interest accruing at the default rate under the Bridge Loan Agreement.
- (c) ***Section 507(b) Claims.*** The Adequate Protection Obligations shall constitute superpriority claims as provided in Bankruptcy Code section 507(b) (the “***507(b) Claims***”), with priority in payment over any and all administrative expenses of the kinds specified or ordered pursuant to any provision of the Bankruptcy Code, including without limitation, Bankruptcy Code sections 326, 328, 330, 331, 503(b), 506(c), 507(a), 726, 1113 and 1114, subject and subordinate only to (i) the Carve-Out and (ii) the Superpriority Claims granted in respect of the DIP Obligations. Except to the extent expressly set forth in the Order, the Bridge Loan Lenders shall not receive or retain any payments, property or other amounts in respect of the 507(b) Claims unless and until all DIP Obligations shall have indefeasibly been paid in full in cash and the commitments under the DIP Documents have been terminated.

- (d) *Fees and Expenses.* The agent under the Bridge Loan and each Bridge Loan Lender shall receive from the TSC Debtors reimbursement of all reasonable, actual and documented fees and expenses incurred or accrued by such parties under and pursuant to the Bridge Loan, including, without limitation, the reasonable, actual and documented fees and disbursements of counsel to the agent under the Bridge Loan and each Bridge Loan Lender, whether incurred or accrued prior to or after the Petition Date.
- (e) *Right to Credit Bid.* The Bridge Loan Agent (on behalf of the Bridge Loan Lenders) and the DIP Agent (on behalf of the DIP Lenders) shall have the right to “credit bid” the allowed amount of the obligations under the Bridge Loan and/or the DIP Financing, as applicable, during any sale or any of the TSC Debtors’ assets pledged as Bridge Loan Collateral or DIP Collateral, as applicable, including without limitation, in connection with sales occurring pursuant to Bankruptcy Code section 363 or included as part of any chapter 11 plan of the TSC Debtors.
- (f) *Information.* The February Debtors shall promptly provide to the Bridge Loan Agent any written notices, financial information or periodic report, including any budgets and variance reports, that is provided to, or required to be provided to, the DIP Agent or the DIP Lender. The February Debtors shall also give the Bridge Loan Agent reasonable access during normal business hours to the TSC Debtors’ books and records, and the TSC Debtors shall respond to reasonable inquiries from the Bridge Loan Agent related to the TSC Debtors’ books and records and operations.

53. The February Debtors believe that the proposed adequate protection is necessary and appropriate to ensure that the TSC Debtors can continue to use the cash collateral and access liquidity under the DIP Financing. Accordingly, the adequate protection proposed herein is fair and reasonable and is sufficient to satisfy the requirements of Bankruptcy Code sections 363(c) and 364(d).

**IX. THE DIP FINANCING WAS NEGOTIATED IN GOOD FAITH
AND SHOULD BE AFFORDED THE PROTECTION OF
BANKRUPTCY CODE SECTION 364(E)**

54. Bankruptcy Code section 364(e) protects a good faith lender’s right to collect on loans extended to a debtor and its right in any lien securing those loans, even if the authority of the debtor to obtain such loans or grant such liens is later reversed or modified on appeal. Specifically, Bankruptcy Code section 364(e) provides that any “reversal or modification on

appeal of an authorization to obtain credit or incur debt or a grant of priority or a lien under Bankruptcy Code section 364 shall not affect the validity of that debt incurred or priority or lien granted as long as the entity that extended credit “extended such credit in good faith.” 11 U.S.C. § 364(e).

55. Courts generally hold that “good faith” in the context of post-petition financing means, consistent with the Uniform Commercial Code, honesty in fact in the conduct or transaction concerned. *See Unsecured Creditors’ Comm. v. First Nat’l Bank & Trust Co. (In re Ellingsen MacLean Oil Co.)*, 834 F.2d 599, 605 (6th Cir. 1987) (citing U.C.C. § 1-201(19)). Additionally, good faith is measured with respect to the good faith of the lender as contrasted to that of the borrower. Tr. of Rec. at 736:24-25, *In re Lyondell Chem. Co.*, No. 09-10023 (Bankr. S.D.N.Y. Feb. 27, 2009). Moreover, a lender’s desire to ensure that it is repaid, to make money on interest and fees and to protect pre-petition positions are understandable and acceptable motivations for a post-petition lender in negotiating a deal. *Id.* at 737:10-14.

56. As explained in detail herein, the terms of the DIP Financing were negotiated in good faith and at arm’s length between the February Debtors, the Guarantor, the DIP Agent and the DIP Lender and all of the DIP Financing obligations will be extended by the DIP Lender in good faith (as such term is used in Bankruptcy Code section 364(e)). No consideration is being provided to any party to, or guarantor of, obligations arising under the DIP Financing, other than as set forth herein. Moreover, the DIP Financing has been extended in express reliance upon the protections offered by Bankruptcy Code section 364(e), and the DIP Lender should be entitled to the full protection of Bankruptcy Code section 364(e) in the event that the Order or any provision thereof is vacated, reversed or modified on appeal or otherwise.

**X. MODIFICATION OF THE AUTOMATIC STAY PROVIDED
UNDER BANKRUPTCY CODE SECTION 362 IS
APPROPRIATE UNDER THE CIRCUMSTANCES**

57. Paragraph 8 of the proposed Order provides that the automatic stay imposed under Bankruptcy Code section 362(a) is hereby lifted to, among other things, (i) permit the February Debtors to grant various superpriority liens and claims, perform various obligations, incur various liabilities, (ii) permit the exercise of remedies by the DIP Agent and DIP Lender following a default under the DIP Financing and (iii) to allow the DIP Agent and the DIP Lender to file and record financing statements, mortgages or other instruments to provide notice and evidence the grant and perfection of the liens.

58. Stay modification provisions of this sort are ordinary and usual features of debtor in possession financing facilities and, in the February Debtors' business judgment, are reasonable under the present circumstances. *See, e.g., In re Innkeepers USA Trust*, Case No. 10-13800, at 14 (Bankr. S.D.N.Y. Sept. 2, 2010); *Tronox Inc.*, Case No. 09-10156, at 33, 41-43 (Bankr. S.D.N.Y. Jan. 15, 2010); *In re Gen. Growth Props. Inc.*, Case No. 09-1197, at 27, 30 (Bankr. S.D.N.Y. May 14, 2009); *In re Chemtura Corp.*, Case No. 09-11233, at 16-17 (Bankr. S.D.N.Y. Apr. 29, 2009). Accordingly, the Court should modify the automatic stay to the extent contemplated under the DIP Agreement and the proposed Order.

XI. REQUEST FOR WAIVER OF STAY

59. The February Debtors and the Guarantor further seek a waiver of any stay of the effectiveness of the order approving this motion. Pursuant to Bankruptcy Rule 6004(h), "a[n] order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of fourteen (14) days after entry of the order, unless the court orders otherwise." As set forth above, the DIP Financing is essential to prevent irreparable damage to the February Debtors' business, value and ability to reorganize. Accordingly, the February Debtors and the

Guarantor submit that ample cause exists to justify a waiver of the 14-day stay imposed by Bankruptcy Rule 6004(h), to the extent it applies.

XII. JURISDICTION

60. Pursuant to 28 U.S.C. §§ 157 and 1334 and Standing Order M-61 of the United States District Court for the Southern District of New York, dated July 10, 1984 (Ward, Acting C.J.), the Court has jurisdiction to consider and grant the relief requested herein. A proceeding to consider and grant such relief is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

XIII. MOTION PRACTICE

61. The DIP Motion includes citations to the applicable rules and statutory authorities upon which the relief requested herein is predicated, and a discussion of their application to this motion. Moreover, in addition to all entities otherwise entitled to receive notice, the February Debtors and the Guarantor have given notice of this motion to all entities believed to have or be claiming an interest in the subject matter of the proposed order or who, it is believed, otherwise would be affected by the proposed order. Accordingly, the February Debtors and the Guarantor submit that this motion satisfies Local Rule 9013-1.

XIV. NOTICE

62. The February Debtors and the Guarantor have provided notice of this DIP Motion to: (a) the Office of the United States Trustee for the Southern District of New York; (b) the entities listed on the Consolidated List of Creditors Holding the 30 Largest Unsecured Claims filed pursuant to Bankruptcy Rule 1007(d); (c) NexBank, SSB as agent for the Bridge Loan Lenders; (d) Weil, Gotshal & Manges LLP as counsel to Harbinger Capital Partners LLC and certain of its managed and affiliated funds; (e) Wachtell, Lipton, Rosen & Katz as counsel to Highland Capital Management, L.P. and certain of its managed and affiliated funds; (f) Quinn

Emanuel Urquhart & Sullivan, LLP as counsel to Solus Alternative Asset Management LP; (g) the DIP Agent; (h) Quinn Emanuel Urquhart & Sullivan, LLP as counsel to the DIP Agent; (i) Schulte Roth & Zabel LLP as counsel to Colbeck Capital Management, LLC; (j) the Internal Revenue Service; (k) the Securities and Exchange Commission; (l) the United States Attorney for the Southern District of New York; and (m) the Federal Communications Commission. In light of the nature of the relief requested, the February Debtors and the Guarantor respectfully submit that no further notice is necessary.

XV. NO PRIOR REQUEST

63. No prior motion for the relief requested herein has been made to this or any other court.

WHEREFORE the February Debtors and the Guarantor respectfully request entry of orders, substantially similar to the proposed form of order attached hereto as Exhibit A, granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

New York, New York
Dated: February 16, 2011

/s/ Ira S. Dizengoff
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Sarah Link Schultz

*Counsel to the Other TSC Debtors and
Proposed Counsel to the February Debtors*

EXHIBIT A

Proposed Order

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

_____)	
In re:)	Chapter 11
TERRESTAR CORPORATION, <i>et al.</i> , ¹)	Case No. 11-10612 (SHL)
Debtors.)	Joint Administration Requested
_____)	

**FINAL ORDER (A) AUTHORIZING THE FEBRUARY
DEBTORS TO OBTAIN POSTPETITION FINANCING AND (B)
AUTHORIZING THE FEBRUARY DEBTORS TO USE CASH COLLATERAL**

Upon the motion, dated February 16, 2011 (the “*Motion*”),² of TerreStar Corporation (“*TSC*”), TerreStar Holdings Inc. (“*TS Holdings*”) and Motient Ventures Holding Inc. (the “*Guarantor*”) in the above-captioned cases (the “*TSC Cases*”) for a final order under sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (as amended, the “*Bankruptcy Code*”), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (as amended, the “*Bankruptcy Rules*”) and the Local Bankruptcy Rules for the United States Bankruptcy Court for the Southern District of New York (the “*Local Rules*”), seeking entry of an order:

(I) authorizing (a) the February Debtors to obtain up to \$13,368,421.05 (plus fees, interest and other amounts to be capitalized in accordance with the terms of the DIP Documents (as defined below)) in aggregate principal amount of postpetition financing (the “*DIP Financing*”) on the terms and conditions set forth in the Commitment Letter (as defined below)

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor’s federal taxpayer-identification number, are: (a) TerreStar Corporation [6127]; and TerreStar Holdings Inc. [0778] (collectively, the “*February Debtors*”) and (b) TerreStar New York Inc. [6394]; Motient Communications Inc. [3833]; Motient Holdings Inc. [6634]; Motient License Inc. [2431]; Motient Services Inc. [5106]; Motient Ventures Holding Inc. [6191]; MVH Holdings Inc. [9756] (collectively, the “*Other TSC Debtors*” and, collectively with the February Debtors, the “*TSC Debtors*”).

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Commitment Letter or the Motion, as applicable.

and loans thereunder (the “*DIP Loans*”) pursuant to an agreement (as hereafter amended, restated, supplemented or otherwise modified from time to time, the “*DIP Agreement*”) among the February Debtors, the Guarantor, Solus Alternative Asset Management LP (including the permitted assigns of its commitment, the “*DIP Lender*”) and NexBank, SSB as Administrative Agent and Collateral Agent (in such capacity, the “*DIP Agent*”), on the terms and conditions set forth in this order (this “*Order*”) and substantially similar to those contained in that certain DIP & Confirmation Financing Commitment (substantially in the form annexed to the Motion as Exhibit B, the “*Commitment Letter*”; and, collectively with all agreements, guaranties, collateral agreements, documents and instruments delivered or executed from time to time in connection therewith, as hereafter amended, supplemented or otherwise modified from time to time, the “*DIP Documents*”), and (b) for the Guarantor to guaranty on a secured basis the February Debtors’ obligations in respect of the DIP Financing;

(II) authorizing the February Debtors and the Guarantor to execute and deliver the DIP Agreement and the other DIP Documents and to perform such other and further acts as may be necessary or appropriate in connection therewith, including, without limitation granting (x) to the DIP Agent for the benefit of itself and the DIP Lender, liens on all of the DIP Collateral (as defined in paragraph 7 below) pursuant to sections 364(c)(2), (c)(3) and 364(d) of the Bankruptcy Code, which liens shall be (i) senior to all liens other than the Prior Liens (as defined below), but only to the extent such liens secure valid and enforceable prepetition secured obligations, and (ii) subject to the Carve-Out (as defined below) and (y) to the DIP Lender pursuant to section 364(c)(1) of the Bankruptcy Code superpriority administrative claims having recourse to all prepetition and postpetition property of the February Debtors’ estates, now owned or hereafter acquired;

(III) authorizing the February Debtors to use their cash collateral (as defined in section 363(a) of the Bankruptcy Code, “*Cash Collateral*”) pursuant to sections 361, 362 and 363 of the Bankruptcy Code, and all collateral (including the Cash Collateral held by the February Debtors, the Bridge Loan Collateral (as defined below) and the Colbeck Collateral (as defined below), the “*Prepetition Collateral*”) subject to non-avoidable, valid, enforceable and perfected liens that are senior in priority to the Bridge Loan Liens (as defined below) and the Colbeck Liens (as defined below) (such liens being the “*Prior Liens*”) in existence on the February Petition Date;

(IV) granting adequate protection to the Bridge Loan Lenders with respect to the Bridge Loan Collateral;

(V) authorizing the DIP Agent to, upon the occurrence and continuance of an Event of Default, among other things: (a) reduce the amount of or terminate any outstanding commitments under the DIP Agreement, (b) terminate the DIP Agreement, (c) charge the default rate of interest on the DIP Loans, (d) declare the entirety of the DIP Loans to be due and payable, (e) terminate the use of Cash Collateral and/or (f) subject to the Carve-Out (as defined below), exercise any and all remedies under applicable law;

(VI) authorizing the Bridge Loan Agent (as defined below) to, upon the occurrence and continuance of a Termination Event (as defined below) and after notice of not less than five (5) business days and a hearing, terminate the use of Cash Collateral held by the February Debtors; and

(VII) vacating and modifying the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the DIP Documents and this Order; and

The hearing on the Motion (the “*Hearing*”) having been held by this Court, and upon the record made by the February Debtors and the Guarantor at the Hearing, including, without limitation, the admission into evidence of the First Day Affidavit and the Zelin Declaration (each as defined in the Motion), which were filed with the Motion, and the other evidence submitted or adduced and the arguments of counsel made at the Hearing, and after due deliberation and consideration, and sufficient cause appearing therefor;

IT IS FOUND, DETERMINED, ORDERED AND ADJUDGED, that:

1. *Jurisdiction/Venue.* This Court has core jurisdiction over the TSC Cases, the Motion, and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. *Notice.* Based upon the February Debtors’ and the Guarantor’s representations, notice of the Motion and the relief requested therein, and the relief requested at the Hearing was served by the February Debtors and the Guarantor by electronic mail, facsimile, or overnight mail to: (a) the Office of the United States Trustee for the Southern District of New York; (b) the entities listed on the Consolidated List of Creditors Holding the 30 Largest Unsecured Claims filed pursuant to Bankruptcy Rule 1007(d); (c) NexBank, SSB as agent for the lenders under the Bridge Loan Agreement; (d) Weil, Gotshal & Manges LLP as counsel to Harbinger Capital Partners LLC and certain of its managed and affiliated funds; (e) Wachtell, Lipton, Rosen & Katz as counsel to Highland Capital Management, L.P. and certain of its managed and affiliated funds; (f) Quinn Emanuel Urquhart & Sullivan, LLP as counsel to Solus Alternative Asset Management LP; (g) the DIP Agent; (h) Quinn Emanuel Urquhart & Sullivan, LLP as counsel to the DIP Agent; (i) Schulte Roth & Zabel LLP as counsel to Colbeck Capital Management, LLC; (j) the Internal Revenue Service; (k) the Securities and Exchange Commission; (l) the United

States Attorney for the Southern District of New York; and (m) the Federal Communications Commission. Under the circumstances, the notice provided of the Motion, the relief requested therein and the Hearing constitutes due and sufficient notice thereof, complies with Bankruptcy Rules 4001(c) and (d) and the Local Rules, and no further notice of the relief sought at the Hearing and the relief granted herein is necessary or required.

3. *February Debtors' Stipulations.* Subject to the limitations contained in paragraph 21 below, the February Debtors admit, stipulate, acknowledge and agree that:

(a) *Prepetition Financing Agreements.* Prior to the commencement of the TSC Cases, the lenders (the “**Bridge Loan Lenders**”) under that certain Term Loan Credit Agreement, dated as of November 19, 2010 (as amended from time to time, the “**Bridge Loan Agreement**” and together with all other documents executed in connection thereto, the “**Bridge Loan Documents**”) made loans, made advances and provided other financial accommodations to the February Debtors pursuant to the terms and conditions set forth in (i) the Bridge Loan Agreement and (ii) all other agreements, documents and instruments executed and/or delivered with, to, or in favor of NexBank, SSB, as agent (the “**Bridge Loan Agent**”), and the Bridge Loan Lenders, including, without limitation, all security agreements, notes, guarantees, mortgages; Uniform Commercial Code financing statements and all other related agreements, documents and instruments executed and/or delivered in connection therewith or related thereto.

(b) *Bridge Loan Obligations Amount.* As of the February Petition Date, the aggregate principal amount of all loans to TSC and TS Holdings under and in connection with the Bridge Loan Documents was not less than \$4,308,262.98, plus interest accrued and accruing thereon, together with all costs, fees, expenses (including attorneys' fees and legal expenses) and other charges accrued, accruing or chargeable with respect thereto (collectively, the “**Bridge**

Loan Obligations"). The Bridge Loan Obligations constitute allowed, legal, valid, binding, enforceable and non-avoidable obligations of the February Debtors, and are not subject to any offset, defense, counterclaim, avoidance, recharacterization or subordination pursuant to the Bankruptcy Code or any other applicable law, and the February Debtors do not possess and shall not assert any claim, counterclaim, setoff or defense of any kind, nature or description which would in any way affect the allowance, validity, binding nature, enforceability or non-avoidability of any of the Bridge Loan Obligations.

(c) *Bridge Loan Liens and Bridge Loan Collateral.* As of the February Petition Date, the Bridge Loan Obligations were fully secured pursuant to the Bridge Loan Documents by liens (the "*Bridge Loan Liens*"). The Bridge Loan Liens are valid, binding, perfected, enforceable and non-avoidable first priority security interests and liens granted by the February Debtors to the Bridge Loan Agent for the ratable benefit of the Bridge Loan Lenders upon substantially all of the assets of the February Debtors (the "*Bridge Loan Collateral*"), subject only to the liens permitted under Section 7.2 of the Bridge Loan Agreement, to the extent that such security interests, liens or encumbrances are (a) valid, perfected and non-avoidable security interests, liens or encumbrances existing as of the February Petition Date, and (b) senior to and have not been and are not subject to being subordinated to the Bridge Loan Agent's liens on and security interests in the Bridge Loan Collateral or otherwise avoided, and, in each instance, only for so long as and to the extent that such encumbrances are and remain senior and outstanding. The February Debtors do not possess and will not assert any claim, counterclaim, setoff or defense of any kind, nature or description which would in any way affect the allowance, validity, enforceability, binding nature, perfection, priority or non-avoidability of any of the Bridge Loan Agent's liens, claims or security interests in the Bridge Loan Collateral.

(d) *Release of Claims.* Subject to the reservation of rights set forth in paragraph 7(e) below, each of the February Debtors and its estate shall be deemed to have forever waived, discharged and released the Bridge Loan Lenders, together with their respective affiliates, agents, attorneys, financial advisors, consultants, officers, directors and employees (all of the foregoing, collective, the “**Bridge Loan Lender Releasees**”) of any and all “claims” (as defined in the Bankruptcy Code), counterclaims, causes of action, defenses, setoff, recoupment or other offset rights against any and all of the Bridge Loan Lender Releasees, whether arising at law or in equity, with respect to the Bridge Loan Obligations and the Bridge Loan Liens, including, without limitation, (I) any recharacterization, subordination, avoidance or other claim arising under or pursuant to section 105 or chapter 5 of the Bankruptcy Code, or under any other similar provisions of applicable state or federal law, and (II) any right or basis to challenge or object to the amount, allowance, validity, binding nature, enforceability or non-avoidability of the Bridge Loan Obligations, or the validity, binding nature, enforceability, perfection, priority or non-avoidability of the Bridge Loan Liens securing the Bridge Loan Obligations.

4. *Findings Regarding the DIP Financing.* The Court is satisfied based upon the February Debtors’ representations that:

(a) The February Debtors have a need to obtain the DIP Financing and to use the Prepetition Collateral and Cash Collateral in order to, among other things, permit the orderly continuation of their businesses, preserve the going concern value of the February Debtors, pay the costs of administration of their estates and for the other purposes set forth in the DIP Documents. The February Debtors’ use of the Prepetition Collateral and the Cash Collateral and the DIP Financing is necessary to ensure that the February Debtors have sufficient working

capital and liquidity to preserve and maintain the going concern value of the February Debtors' estates. Good cause has, therefore, been shown for entry of this Order.

(b) The February Debtors are unable to obtain adequate unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. The February Debtors are also unable to obtain secured credit allowable under sections 364(c)(1), 364(c)(2) and 364(c)(3) of the Bankruptcy Code without the February Debtors granting to the DIP Agent for the ratable benefit of the DIP Lender, subject to the Carve-Out, (i) the DIP Liens (as defined in paragraph 7 below) and (ii) the Superpriority Claims (as defined in paragraph 6(a) below), in each case on the terms and conditions set forth in this Order and the DIP Documents.

(c) The terms of the DIP Documents and the use of the Prepetition Collateral and the Cash Collateral pursuant to this Order and the DIP Agreement reflect the February Debtors' and the Guarantor's exercise of prudent business judgment consistent with their fiduciary duties and are fair and reasonable and the best available under the circumstances. The February Debtors and the Guarantor will receive and have received reasonably equivalent value for and fair and reasonable consideration in exchange for access to the DIP Financing and all other financial accommodations provided under the DIP Documents and this Order.

(d) The DIP Documents and the terms and conditions of the February Debtors' use of the Bridge Loan Collateral and Cash Collateral have been the subject of negotiations conducted in good faith and at arm's length among the February Debtors, the DIP Agent and the DIP Lender, and all of the February Debtors' obligations and indebtedness arising under or in connection with the DIP Financing, including without limitation, (i) all loans made to, and guaranties issued by, the February Debtors pursuant to the DIP Agreement, (ii) the February Debtors' obligation to reimburse the DIP Lender for all expenses and (iii) all other obligations

(including, without limitation, indemnification and fee obligations) of the February Debtors under the DIP Documents and this Order now or hereafter owing to the DIP Agent or the DIP Lender (collectively, (i), (ii) and (iii), the “*DIP Obligations*”) shall be deemed to have been extended by the DIP Agent and the DIP Lender in “good faith” as such term is used in section 364(e) of the Bankruptcy Code, and in express reliance upon the protections set forth therein, and shall be entitled to the full protection of section 364(e) of the Bankruptcy Code, in the event that this Order or any provision hereof is vacated, reversed or modified on appeal or otherwise.

5. *Authorization of the DIP Financing and the DIP Documents.*

(a) The February Debtors are hereby expressly and immediately authorized, without stockholder, member or board of directors (or similar body) approval, to enter into and perform their obligations under the DIP Documents and to borrow thereunder up to an aggregate principal amount of \$13,368,421.05 (plus fees, interest and other amounts to be capitalized in accordance with the terms of the DIP Documents) to (i) pay fees and expenses associated with the DIP Financing, (ii) make one or more intercompany loans to certain subsidiaries of TSC in an aggregate amount not to exceed \$100,000 or such higher amount with the consent of the Requisite Lenders (as defined in the Commitment Letter), (iv) in accordance with the Budget, provide for the February Debtors’ ongoing working capital requirements, *provided, however*, that amounts included in the Carve-Out shall not be subject to the Budget and (v) make payments and settlements of prepetition claims, subject to the reasonable consent of the Requisite Lenders.

(b) The Guarantor is hereby expressly and immediately authorized, without stockholder, member or board of directors (or similar body) approval, to enter into and perform

its obligations under the DIP Documents and to guaranty the February Debtors' obligations under the DIP Agreement.

(c) The February Debtors are authorized to use the proceeds of borrowings under the DIP Agreement and Prepetition Collateral and Cash Collateral in accordance with and to the extent permitted by the DIP Documents and the Budget.

(d) The February Debtors and the Guarantor are hereby authorized, and upon execution of the DIP Agreement, directed to do and perform all acts and pay the principal, interest, fees, expenses and other amounts described in the DIP Documents as such become due pursuant to the DIP Documents and this Order, including, without limitation, all closing fees, administrative fees, commitment fees, and reasonable attorneys', financial advisors' and accountants' fees and disbursements rising under the DIP Documents and this Order, which amounts shall not be subject to further approval of this Court and shall be nonrefundable; provided, however, that the payment of the fees and expenses of the Lender Professionals (as defined below) shall be subject to the provisions of paragraph 17.

(e) In furtherance of the foregoing and without further approval of this Court, each of the February Debtors and the Guarantor is authorized, and the automatic stay imposed by section 362 of the Bankruptcy Code is hereby lifted to the extent necessary, to perform all acts and to execute and deliver all instruments and documents that the DIP Agent or the DIP Lender determines to be reasonably required or necessary for the February Debtors' and the Guarantor's performance of their obligations under the DIP Documents, including without limitation:

- (i) the execution, delivery and performance of the DIP Documents;
- (ii) the execution, delivery and performance of one or more amendments, waivers, consents or other modifications to and under the DIP Documents, in each

case in such form as the February Debtors, the Guarantor, the DIP Agent and the DIP Lender may agree, and no further approval of this Court shall be required for immaterial amendments, waivers, consents or other modifications to and under the DIP Documents (and any fees paid in connection therewith) unless such amendments, waivers, consents or other modifications (A) shorten the maturity of the DIP Loans or (B) increase the commitments or the rate of interest payable on the DIP Loans under the DIP Agreement; provided, that a copy of any amendment, waiver, consent or other modification to the DIP Documents shall be provided by the February Debtors and the Guarantor to the U.S. Trustee and counsel to any statutory committee of unsecured creditors appointed in the TSC Cases (the "*TSC Committee*"), if any;

(iii) the non-refundable payment to the DIP Agent, its affiliates and the DIP Lender, as the case may be, of (A) the fees set forth in the DIP Documents and (B) such reasonable, actual, and documented costs and expenses as may be due from time to time under the DIP Documents, all as provided in the DIP Documents and all of which constitute DIP Obligations; and

(iv) the performance of all other acts required under or in connection with the DIP Documents.

(f) Upon execution and delivery of the DIP Documents, the DIP Documents shall constitute valid and binding obligations of the February Debtors and the Guarantor, enforceable against the February Debtors and the Guarantor in accordance with the terms of this Order and the DIP Documents, without the need for approval by any equity holder, member, or board of directors (or similar governing body) of any TSC Debtor. Each officer of a TSC Debtor acting singly is hereby authorized to execute and deliver each of the DIP Documents, such execution and delivery to be conclusive of their respective authority to act in the name of and on

behalf of the February Debtors and the Guarantor. No obligation, payment, transfer or grant of security under the DIP Documents or this Order shall be stayed, voidable, avoidable or recoverable under the Bankruptcy Code or under any applicable nonbankruptcy law (including without limitation, under sections 502(d), 548 or 549 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law), or subject to any defense, reduction, setoff, recoupment or counterclaim.

(g) The February Debtors have provided the DIP Lender with the 13-week cash flow projection, a copy of which is annexed hereto as Exhibit A (as defined in the DIP Agreement, the “**Budget**”). On a monthly basis, the February Debtors shall provide the DIP Agent and DIP Lender with an updated cash flow projection for the following 13 weeks in form and substance reasonably acceptable to the DIP Agent and the DIP Lender.

(h) The DIP Lender shall have no obligation to make any DIP Loan unless and until all conditions precedent to the making of any such DIP Loan or under the DIP Documents and this Order have been satisfied in full or waived by the DIP Lender in accordance with the DIP Documents and this Order.

6. *Superpriority Claims.*

(a) Pursuant to section 364(c)(1) of the Bankruptcy Code, all of the DIP Obligations shall constitute allowed senior administrative expense claims (the “**Superpriority Claims**”) against the February Debtors and, except to the extent expressly set forth in this Order in respect of the Carve-Out, such Superpriority Claims shall have priority over any and all administrative expenses, and adequate protection claims against the February Debtors, now existing or hereafter arising, of any kind whatsoever, including without limitation, all

administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, which allowed claims shall for purposes of section 1129(a)(9)(A) of the Bankruptcy Code be considered administrative expenses allowed under section 503(b) of the Bankruptcy Code, and which Superpriority Claims shall be payable from and have recourse to all prepetition and postpetition property of the February Debtors and all proceeds thereof.

(b) For purposes hereof, the “*Carve-Out*” shall mean: (i) all fees required to be paid by any of the February Debtors and the Guarantor to the Clerk of the Bankruptcy Court and to the Office of the United States Trustee under section 1930(a) of title 28 of the United States Code; (ii) all allowed reasonable and documented professional fees and expenses incurred by the February Debtors or a statutory committee (if any) prior to an Event of Default that are payable under sections 330 and 331 of the Bankruptcy Code, subject to entry of a customary order of the Bankruptcy Court; and (iii) the payment of all allowed reasonable and documented professional fees and expenses incurred by the February Debtors or a statutory committee after the occurrence of the Event of Default that are payable under sections 330 and 331 of the Bankruptcy Code in an aggregate amount not in excess of \$800,000 (plus all unpaid professional fees and expenses allowed by this Court that were incurred prior to the occurrence of such Event of Default); (Y) so long as no Event of Default shall have occurred and be continuing, the February Debtors shall be permitted to pay compensation and reimbursement of expenses allowed and payable under sections 328, 330 and 331 of the Bankruptcy Code, as the same may be due and payable, in accordance with the Budget, and the same shall not reduce the Carve-Out and (Z) nothing in this Order shall impair the right of any party to object to the reasonableness of any such fees or expenses to be paid by the February Debtors’ estates.

7. *DIP Liens.* As security for the DIP Obligations, effective and perfected upon the date of this Order and without the necessity of the execution by the February Debtors (or recordation or other filing) of security agreements, control agreements, pledge agreements, financing statements, mortgages or other similar documents, or the possession or control by the DIP Agent of any property, the following security interests and liens are hereby granted to the DIP Agent, for the ratable benefit of the DIP Lender (all property identified in clauses (a), (b), (c) and (d) below being collectively referred to as the “*DIP Collateral*”), subject only to the Carve-Out (all such liens and security interests granted to the DIP Agent, for its benefit and for the benefit of the DIP Lender, pursuant to this Order and the DIP Documents, the “*DIP Liens*”):

(a) *First Lien on DIP Collateral.* Pursuant to section 364(c)(2) of the Bankruptcy Code, a valid, binding, continuing, enforceable, fully-perfected first priority lien on, and security interest in, all tangible and intangible prepetition and postpetition property in which the February Debtors have an interest, whether existing on or as of the February Petition Date or thereafter acquired, that is not subject to valid, perfected, non-avoidable and enforceable liens in existence on or as of the February Petition Date, including without limitation, any and all unencumbered cash (wherever located), accounts, accounts receivable, other rights to payment, inventory, general intangibles, contracts, contract rights, securities, chattel paper, owned real estate, real property leaseholds, fixtures, machinery, equipment, deposit accounts, patents, copyrights, trademarks, trade names, rights under license agreements and other intellectual property, instruments, investment property, goods, satellites, spare satellites, ground stations, commercial tort claims, proceeds from causes of action arising under chapter 5 of the Bankruptcy Code (including causes of action for preferences, fraudulent transfers and other avoidance power claims and any recoveries under sections 506(c), 542, 544, 545, 547, 548, 549,

550, 552(b) and 553 of the Bankruptcy Code) proceeds from the disposition of Federal Communications Commission licenses (and the Federal Communications Commission licenses themselves, to the fullest extent permitted by applicable law), books and records and all other assets and properties of the February Debtors, in each case, wherever located, and the proceeds, products, rents and profits of all of the foregoing, subject only to: (a) the Carve-Out and (b) the Prior Liens.

(b) *Priming Liens.* Pursuant to Bankruptcy Code section 364(d)(1) and based upon the consent of the Bridge Loan Lenders and, if the Colbeck Liens (as defined below) are determined to be valid, binding, enforceable, perfected and non-avoidable, a showing that the interests of Colbeck Capital Management, LLC ("*Colbeck*") and the Bridge Loan Lenders are adequately protected, a valid binding, continuing, enforceable, fully perfected, non-avoidable first priority priming lien on and security interest in the Bridge Loan Collateral and the collateral (the "*Colbeck Collateral*") securing certain liens granted in favor of Colbeck (the "*Colbeck Liens*"), which liens shall be senior in all respects to the Bridge Loan Liens and the Colbeck Liens, subject only to (i) the Carve-Out and (ii) the Prior Liens.

(c) *Liens Junior to Certain Existing Liens.* Pursuant to section 364(c)(3) of the Bankruptcy Code, a valid, binding, continuing, enforceable, fully-perfected lien on, and security interest in, all tangible and intangible prepetition and postpetition property in which the February Debtors have an interest, whether now existing or hereafter acquired and all proceeds thereof, that is subject to the Prior Liens, which security interest and lien shall be junior only to (i) the Prior Liens, (but only to the extent such liens are properly perfected and secure valid and enforceable prepetition obligations), and (ii) the Carve-Out, but senior to all other liens.

(d) *Liens Senior to Certain Other Liens.* The DIP Liens and the Adequate Protection Lien (as defined in paragraph 13(a) below) shall not be (i) subject or subordinate to (A) any lien or security interest that is avoided and preserved for the benefit of the February Debtors and their estates under section 551 of the Bankruptcy Code or (B) any liens arising after the February Petition Date, including without limitation, any liens or security interests granted in favor of any federal, state, municipal or other governmental unit, commission, board or court for any liability of the February Debtors or (ii) subordinated to or made *pari passu* with any other lien or security interest (other than the Prior Liens and the Carve-Out) under sections 363 or 364 of the Bankruptcy Code or otherwise.

(e) *Reservation of Rights.* Notwithstanding anything herein to the contrary, except with respect to the obligations and liens in respect of the Bridge Loan Agreement and the DIP Agreement, the TSC Debtors, the Bridge Loan Agent, the Bridge Loan Lenders, the DIP Agent and the DIP Lender reserve all rights with respect to the validity, perfection and enforceability, as applicable, of any liens asserted in respect of the February Debtors' assets, and any obligations asserted against the February Debtors.

8. *Remedies After Event of Default.* The automatic stay under section 362 of the Bankruptcy Code is vacated and modified to the extent necessary to permit the DIP Agent and the DIP Lender to exercise, (i) immediately upon the occurrence and during the continuance of an Event of Default, all rights and remedies under the DIP Documents, other than those rights and remedies against the DIP Collateral as provided in clause (ii) below, and (ii) upon the occurrence and during the continuance of an Event of Default, and the giving of five (5) business days' prior written notice to the February Debtors and the Guarantor, with a copy to counsel for the February Debtors and the Guarantor, counsel to the TSC Committee (and, if no statutory

committee is formed, the TSC Debtors' thirty (30) largest unsecured creditors on a consolidated basis) and to the U.S. Trustee, all rights and remedies against the DIP Collateral provided for in the DIP Documents and this Order. The DIP Agent's or the DIP Lender's delay or failure to exercise rights and remedies under the DIP Documents or this Order shall not constitute a waiver of the DIP Agent's or the DIP Lender's rights hereunder, thereunder or otherwise, unless any such waiver is pursuant to a written instrument executed in accordance with the terms of the applicable DIP Documents.

9. *Limitation on Charging Expenses Against Collateral.* Except to the extent of the Carve-Out with respect to the DIP Collateral or the Bridge Loan Collateral, no expenses of administration of the TSC Cases or any future proceeding that may result therefrom, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, shall be charged against or recovered from the DIP Collateral or the Bridge Loan Collateral pursuant to section 506(c) of the Bankruptcy Code or any similar principle of law or in equity, without the prior written consent of the DIP Agent and the Bridge Loan Agent, and no such consent shall be implied from any other action or inaction by the DIP Agent, the DIP Lender, the Bridge Loan Agent or the Bridge Loan Lenders.

10. *Payments Free and Clear.* Any and all payments or proceeds remitted to the DIP Agent on behalf of the DIP Lender pursuant to the provisions of this Order or any subsequent order of this Court shall be received free and clear of any claim, charge, assessment or other liability.

11. *Use of Prepetition Collateral.* The February Debtors are hereby authorized to use the Prepetition Collateral during the period from the February Petition Date through and

including the termination of the DIP Agreement in accordance with the terms and conditions of this Order, the DIP Documents and the Budget.

12. *Use of Cash Collateral.* Subject to the terms and conditions set forth in this Order, the Budget and the DIP Agreement, the February Debtors are authorized, pursuant to section 363(c)(2)(B) of the Bankruptcy Code, to use the Bridge Loan Lenders' and the DIP Lender's Cash Collateral for the period of time from the date hereof until the occurrence of a "Termination Event," which, prior to the repayment in full in cash of the Bridge Loan Obligations, shall mean the earliest to occur of (i) the maturity of the DIP Agreement, (ii) the determination by the DIP Agent and DIP Lender to terminate or accelerate the DIP Loans under the DIP Agreement following the occurrence of an Event of Default, (iii) the date on which this Order ceases to be in full force and effect, (iv) the date on which any Cash Collateral is expended other than in accordance with the provisions of this Order, the Budget or the DIP Agreement, (v) the date on which the February Debtors seek or receive authorization from this Court to borrow more than the principal amount of \$13,368,421.05 (inclusive of borrowings authorized under this Order) under the DIP Documents or any other financing arrangements prior to, on or after entry of this Order without being authorized, directed and required, as a condition to such additional borrowings, to immediately and indefeasibly repay and satisfy in full, in cash all of the DIP Loans and the Bridge Loan from the proceeds of such additional borrowings, (vi) the date on which any of the TSC Cases are converted to a case under chapter 7 of the Bankruptcy Code, or (vii) the date on which a trustee or examiner with expanded powers is appointed in any of the TSC Cases.

13. *Adequate Protection.* The Bridge Loan Lenders and Colbeck are adequately protected as the value of the February Debtors' assets greatly exceeds the amount of secured debt

encumbering such assets. Further, the Bridge Loan Lenders are entitled, pursuant to sections 105, 361, 363 and 364 of the Bankruptcy Code, to adequate protection of their interests in the Bridge Loan Collateral, including Cash Collateral, in an amount equal to the aggregate diminution in value of the Bridge Loan Lenders' security interests in the Bridge Loan Collateral, including without limitation, any such diminution resulting from the sale, lease or use by the February Debtors (or other decline in value) of any Bridge Loan Collateral, including the Cash Collateral, the priming of the Bridge Loan Liens and the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code (such diminution in value, the "***Adequate Protection Obligations***"). As adequate protection, the Bridge Loan Lenders are hereby granted the following (the "***Adequate Protection***"):

(a) *Adequate Protection Lien.* As security for the payment of the Adequate Protection Obligations, the Bridge Loan Lenders are hereby granted (effective and perfected upon the date of this Order and without the necessity of the execution by the February Debtors of security agreements, pledge agreements, mortgages, financing statements or other agreements) a valid, perfected replacement security interest in and lien on the DIP Collateral (the "***Adequate Protection Lien***"), subject and subordinate only to (A) the Prior Liens, (B) the DIP Liens and (C) the Carve-Out, and senior to all other liens.

(b) *Interest.* As further adequate protection, and without limiting any rights of the Bridge Loan Agent and the Bridge Loan Lenders under section 506(b) of the Bankruptcy Code which are hereby preserved, and in consideration, and as a requirement, for obtaining the consent of the Bridge Loan Lenders to the entry of this Order, the consensual use of Cash Collateral, and the priming of their liens, as provided herein, the February Debtors shall, on the last day of each calendar month commencing after the closing of the DIP Financing, pay to the

Bridge Loan Agent for prompt distribution to the Bridge Loan Lenders the interest accruing at the default rate under the Bridge Loan Agreement.

(c) *Section 507(b) Claims.* The Adequate Protection Obligations shall constitute superpriority claims as provided in section 507(b) of the Bankruptcy Code (the “*507(b) Claims*”), with priority in payment over any and all administrative expenses of the kinds specified or ordered pursuant to any provision of the Bankruptcy Code, including without limitation, sections 326, 328, 330, 331, 503(b), 506(c), 507(a), 726, 1113 and 1114 of the Bankruptcy Code, subject and subordinate only to (i) the Carve-Out and (ii) the Superpriority Claims granted in respect of the DIP Obligations. Except to the extent expressly set forth in this Order, the Bridge Loan Lenders shall not receive or retain any payments, property or other amounts in respect of the 507(b) Claims unless and until all DIP Obligations shall have indefeasibly been paid in full in cash and the DIP Financing commitments have been terminated.

(d) *Fees and Expenses.* The Bridge Loan Agent and each Bridge Loan Lender shall receive from the TSC Debtors reimbursement of all reasonable, actual and documented fees and expenses incurred or accrued by such parties under and pursuant to the Bridge Loan Documents, including, without limitation, the reasonable, actual and documented fees and disbursements of counsel to the Bridge Loan Agent and each Bridge Loan Lender, whether incurred or accrued prior to or after the Petition Date. None of the fees and expenses payable pursuant to this paragraph 13(d) shall be subject to separate approval by this Court (but this Court shall resolve any dispute as to the reasonableness of any such fees and expenses), and all fees and expenses payable under this Order shall be finally allowed ten (10) business days after copies of invoices for such fees have been provided to the February Debtors. Subject to any *bona fide* dispute as to the reasonableness of such fees and expenses, the February Debtors shall

pay the reasonable, actual and documented fees and expenses provided for in this paragraph promptly (but no later than ten (10) business days) after invoices for such fees and expenses shall have been submitted to the February Debtors.

(e) *Right to Credit Bid.* The Bridge Loan Agent (on behalf of the Bridge Loan Lenders) and the DIP Agent (on behalf of the DIP Lender) shall have the right to “credit bid” the allowed amount of the obligations under the Bridge Loan and/or the DIP Financing, as applicable, during any sale or any of the TSC Debtors’ assets pledged as Bridge Loan Collateral or DIP Collateral, as applicable, including without limitation, in connection with sales occurring pursuant to section 363 of the Bankruptcy Code or included as part of any plan subject to confirmation under section 1129(b)(2)(A) of the Bankruptcy Code.

(f) *Information.* The February Debtors shall promptly provide to the Bridge Loan Agent any written notices, financial information or periodic report, including any budgets and variance reports, that is provided to, or required to be provided to, the DIP Agent or the DIP Lender. The February Debtors shall also give the Bridge Loan Agent reasonable access during normal business hours to the TSC Debtors’ books and records, and the TSC Debtors shall respond to reasonable inquiries from the Bridge Loan Agent related to the TSC Debtors’ books and records and operations.

14. *Reservation of Rights to Challenge Adequate Protection.* Under the circumstances and given that the adequate protection granted pursuant to this Order is consistent with the Bankruptcy Code, this Court finds that the adequate protection provided herein is reasonable and sufficient to protect the interests of holders of Prior Liens, the Bridge Loan Lenders and Colbeck. Notwithstanding any other provision hereof, the grant of adequate protection is without prejudice to the right of the holders of Prior Liens, the Bridge Loan Lenders

or Colbeck to seek modification of the grant of adequate protection provided hereby so as to provide different or additional adequate protection; provided, however, that any such additional or modified adequate protection shall at all times be subordinate and junior to the claims and liens of the DIP Agent and the DIP Lender granted under this Order and the DIP Documents. Except as expressly provided herein, nothing contained in this Order (including without limitation, the authorization to use any Cash Collateral) shall impair or modify any rights, claims or defenses available in law or equity to the holders of Prior Liens, the Bridge Loan Lenders or Colbeck.

15. *Perfection of DIP Liens and Adequate Protection Lien.*

(a) The DIP Agent and the Bridge Loan Lenders are hereby authorized, but not required, to file or record financing statements, intellectual property filings, mortgages, notices of lien or similar instruments in any jurisdiction, take possession of or control over, or take any other action in order to validate and perfect the liens and security interests granted to them hereunder. Whether or not the DIP Agent on behalf of the DIP Lender, or the Bridge Loan Lenders, in their respective sole discretion, shall choose to file such financing statements, intellectual property filings, mortgages, notices of lien or similar instruments, take possession of or control over, or otherwise confirm perfection of the liens and security interests granted hereunder, such liens and security interests shall be deemed valid, perfected, allowed, enforceable, non-avoidable and not subject to challenge, dispute or subordination as of the date of entry of this Order.

(b) A copy of this Order may, in the discretion of the DIP Agent or the Bridge Loan Lenders, as the case may be, be filed with or recorded in filing or recording offices in addition to or in lieu of such financing statements, mortgages, notices of lien or similar

instruments, and all filing offices are hereby authorized to accept such copy of this Order for filing and recording.

(c) The February Debtors shall execute and deliver to the DIP Agent and the Bridge Loan Lenders, as the case may be, all such agreements, financing statements, instruments and other documents as the DIP Agent and the Bridge Loan Lenders may reasonably request to evidence, confirm, validate or perfect the DIP Liens and the Adequate Protection Lien.

(d) In furtherance of the foregoing and without further approval of this Court, each February Debtor is authorized to do and perform all acts to make, execute and deliver all instruments and documents and to pay all fees that may be reasonably required or necessary for the February Debtors' performance hereunder or under the DIP Agreement.

16. *Preservation of Rights Granted Under this Order.*

(a) No postpetition claim or postpetition lien having a priority senior to or *pari passu* with those granted by this Order to the DIP Agent, the DIP Lender and the Bridge Loan Lenders shall be granted or allowed while any portion of the DIP Obligations, the commitments, the Adequate Protection Obligations or the 507(b) Claims remain outstanding, and the DIP Liens and the Adequate Protection Lien shall not be subject or junior to any lien or security interest that is avoided and preserved for the benefit of the February Debtors' estates under section 551 of the Bankruptcy Code or subordinated to or made *pari passu* with any other lien or security interest (other than the Prior Liens and the Carve-Out).

(b) Among other things, it shall constitute an Event of Default under the DIP Agreement and a termination of the right to use Cash Collateral (i) if any of the February Debtors or the Guarantor seeks, or if there is entered, any modification of this Order without the prior written consent of the DIP Agent and the Bridge Loan Agent, and no such consent shall be

implied by any other action, inaction or acquiescence by the DIP Agent or the Bridge Loan Agent, (ii) if any TSC Debtor seeks, or if there is entered, an order converting or dismissing any of the TSC Cases, or (iii) if an order is entered appointing a trustee or examiner with expanded powers with respect to any of the February Debtors or the Guarantor.

(c) Except as expressly provided in this Order or in the DIP Documents, the DIP Liens, the Superpriority Claims, the Adequate Protection Obligations, the Adequate Protection Lien, the 507(b) Claims and all other rights and remedies of the DIP Agent, the DIP Lender and the Bridge Loan Lenders granted by this Order and the DIP Documents shall survive, and shall not be modified, impaired or discharged by (i) the entry of an order converting any of the TSC Cases to a case under chapter 7 of the Bankruptcy Code, dismissing any of the TSC Cases or by any other act or omission, or (ii) the entry of an order confirming a plan of reorganization in any of the TSC Cases. The terms and provisions of this Order and the DIP Documents shall continue in the TSC Cases, in any successor cases if the TSC Cases cease to be jointly administered, or in any superseding chapter 7 cases under the Bankruptcy Code, and the DIP Liens, the Adequate Protection Lien, the Adequate Protection Obligations, the DIP Obligations, the Superpriority Claims, the Section 507(b) Claims, any other administrative expense claims granted pursuant to this Order and all other rights and remedies of the DIP Agent, the DIP Lender and the Bridge Loan Lenders granted by this Order and the DIP Documents shall continue in full force and effect until all DIP Obligations and all Adequate Protection Obligations are indefeasibly paid in full in cash.

17. *Expenses.* As provided in the DIP Documents, the applicable February Debtors will pay all reasonable expenses incurred by the DIP Agent and each DIP Lender in connection with the preparation, execution, delivery and administration of the DIP Documents, this Order

and any other agreements, instruments, pleadings or other documents prepared or reviewed in connection with any of the foregoing, whether or not any or all of the transactions contemplated hereby or by the DIP Documents are consummated. Payment of such fees shall not be subject to allowance by this Court. Professionals for the DIP Agent, the DIP Lender, the Bridge Loan Agent and the Bridge Loan Lenders (collectively, the “*Lender Professionals*”) shall not be required to comply with the U.S. Trustee fee guidelines or submit invoices to the Court, U.S. Trustee, any TSC Committee or any other party-in-interest absent further court order.

18. *Protection of the DIP Lender’s Rights.* Unless the requisite DIP Lenders under the DIP Documents shall have provided their prior written consent or all DIP Obligations have been paid in full, there shall not be entered in these proceedings, or in any successor case, any order which authorizes any of the following: (i) the obtaining of credit or the incurring of indebtedness that is secured by a security, mortgage or collateral interest or other lien on all or any portion of the DIP Collateral and/or that is entitled to administrative priority status, in each case which is superior to or *pari passu* with the DIP Liens and Superpriority Claims granted pursuant to this Order to the DIP Lender or (ii) the use of Cash Collateral for any purpose other than to pay in full the DIP Obligations or as otherwise permitted in the DIP Documents and this Order.

19. *Subsequent Financing.* Without limiting the provisions and protections of paragraph 18 above, if at any time prior to the payment in full of all DIP Obligations (including subsequent to the confirmation of the February Debtors’ chapter 11 plan or any other chapter 11 plan or plans with respect to any of the February Debtors), the February Debtors’ estates, any trustee, any examiner with enlarged powers or any responsible officer subsequently appointed shall obtain credit or incur debt pursuant to sections 364(b), 364(c), 364(d) or any other

provision of the Bankruptcy Code in violation of the DIP Documents, then all of the cash proceeds derived from such credit or debt and all Cash Collateral shall immediately be turned over to the DIP Agent until payment in full of the DIP Obligations.

20. *Disposition of DIP Collateral.* The February Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the DIP Collateral without the prior written consent of the requisite DIP Lenders under the DIP Documents (and no such consent shall be implied from any other action, inaction or acquiescence by any DIP Lender or any order of this Court), except for (a) as permitted in the DIP Documents and this Order and (b) approved by the Court to the extent required under applicable bankruptcy law.

21. *Effect of Stipulations on Third Parties.* The stipulations and admissions contained in this Order, including without limitation, in paragraph 3 of this Order: (a) shall be binding upon the February Debtors for all purposes; and (b) shall be binding upon all other parties in interest, including without limitation, the TSC Committee, unless (i) the TSC Committee, or any other party-in-interest with requisite standing, has duly filed an adversary proceeding (subject to the limitations contained herein, including, without limitation, in paragraph 18) by no later than the later of (A) the date that is the later of (x) seventy-five (75) days from the date the TSC Committee is appointed, and (y) seventy-five (75) days from the date of entry of this Order, subject to extension by the Court, after notice and a hearing, for cause shown, and (B) any such later date agreed to in writing by the Bridge Loan Agent in its sole and absolute discretion (X) challenging the validity, enforceability, priority or extent of the Bridge Loan or the liens on the Bridge Loan Collateral securing such Bridge Loan or (Y) otherwise asserting or prosecuting any claims or causes of action arising under sections 542 through 553 of the Bankruptcy Code or any other claims, counterclaims or causes of action, objections, contests or defenses (collectively,

the “Claims and Defenses”) against the Bridge Loan Agent or any of the other Bridge Loan Lenders or their respective agents, affiliates, subsidiaries, directors, officers, representatives, attorneys or advisors in connection with any matter related to the Bridge Loan or the Bridge Loan Collateral, and (ii) an order is entered by a court of competent jurisdiction and becomes final and non-appealable in favor of the plaintiff sustaining any such challenge or claim in any such duly filed adversary proceeding; provided that, as to the February Debtors, all such claims and defenses are hereby irrevocably waived and relinquished as of the February Petition Date. If no such adversary proceeding is duly and timely filed in respect of the Bridge Loan, (x) the Bridge Loan shall constitute allowed claims, not subject to counterclaim, setoff, subordination, recharacterization, defense or avoidance, for all purposes in the TSC Cases and any subsequent chapter 7 case, (y) the liens on the Bridge Loan Collateral securing the Bridge Loan, as the case may be, shall be deemed to have been, as of the February Petition Date, and to be, legal, valid, binding, perfected and of the priority specified in paragraph 3, not subject to defense, counterclaim, recharacterization, subordination or avoidance and (z) the Bridge Loan, the Bridge Loan Agent and the Bridge Loan Lenders, as the case may be, and the liens on the Bridge Loan Collateral granted to secure the Bridge Loan shall not be subject to any other or further challenge by the TSC Committee or any other party-in-interest, and such TSC Committee or party-in-interest shall be enjoined from seeking to exercise the rights of the February Debtors’ estates, including without limitation, any successor thereto (including, without limitation, any estate representative or a chapter 7 or 11 trustee appointed or elected for any of the February Debtors). If any such adversary proceeding is duly filed, the stipulations and admissions contained in paragraph 3 of this Order shall nonetheless remain binding and preclusive (as provided in the second sentence of this paragraph) on the TSC Committee and any other party-in-interest, except

as to any such stipulations and admissions that were expressly and successfully challenged in such adversary proceeding as set forth in a final, non-appealable order of a court of competent jurisdiction.

22. *Limitation on Use of DIP Financing, DIP Collateral, Bridge Loan Collateral, and Cash Collateral.* The February Debtors shall use the DIP Financing, DIP Collateral and the Bridge Loan Collateral (including, in each case, the Cash Collateral) solely as provided in this Order and the DIP Documents. Notwithstanding anything herein, no DIP Loans under the DIP Agreement, DIP Collateral, Bridge Loan Collateral (including, in each case, as applicable, the Cash Collateral) or the Carve-Out may be used to (a) object, contest or raise any defense to, the validity, perfection, priority, extent or enforceability of any amount due under the DIP Documents, the Bridge Loan Documents or the liens or claims granted under this Order, the DIP Documents or the Bridge Loan Documents, (b) assert any claims and defenses or any other causes of action against the DIP Agent, the DIP Lender, the Bridge Loan Agent, the other Bridge Loan Lenders or their respective agents, affiliates, subsidiaries, directors, officers, representatives, attorneys or advisors, in each case, solely in their capacity as DIP Agent, DIP Lender, Bridge Loan Agent or Bridge Loan Lender, as applicable, (c) prevent, hinder or otherwise delay the DIP Agent's or the Bridge Loan Agent's assertion, enforcement or realization on the Bridge Loan Collateral or the DIP Collateral in accordance with the DIP Documents, the Bridge Loan Documents or this Order, (d) seek to modify any of the rights granted to the DIP Agent, the DIP Lender, the Bridge Loan Agent or the other Bridge Loan Lenders hereunder or under the DIP Documents or the Bridge Loan Documents, in the case of each of the foregoing clauses (a) through (d), without such applicable party's prior written consent or (e) pay any amount on account of any claims arising prior to the February Petition

Date unless such payments are (i) approved by an order of this Court and (ii) permitted under the DIP Documents; provided that, notwithstanding anything to the contrary herein, no more than an aggregate of \$50,000 of the Loans under the DIP Agreement, the DIP Collateral, the Bridge Loan Collateral (including, in each case, as applicable, the Cash Collateral) or the Carve-Out may be used by the TSC Committee to investigate the validity, enforceability or priority of the Bridge Loan or the liens on the Bridge Loan Collateral securing the Bridge Loan, or investigate any claims and defenses or other causes action against the Bridge Loan Agent or the Bridge Loan Lenders.

23. *Exculpation.* Nothing in this Order, the DIP Documents or any other documents related to these transactions shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent or the DIP Lender any liability for any claims arising from the prepetition or postpetition activities of the February Debtors in the operation of their business, or in connection with their restructuring efforts. So long as the DIP Agent and the DIP Lender comply with their obligations under the DIP Documents and their obligations, if any, under applicable law (including the Bankruptcy Code), (a) the DIP Agent and the DIP Lender shall not, in any way or manner, be liable or responsible for (i) the safekeeping of the DIP Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof or (iv) any act or default of any carrier, servicer, bailee, custodian, forwarding agency or other person and (b) all risk of loss, damage or destruction of the Collateral shall be borne by the February Debtors.

24. *DIP Order Governs.* In the event of any inconsistency between the provisions of this Order and the DIP Documents, the provisions of this Order shall govern.

25. *Proofs of Claim.* Upon entry of this Order, the Bridge Loan Agent and Bridge Loan Lenders will not be required to file proofs of claim in any of the TSC Cases or successor cases for any claim allowed herein. The February Debtors' stipulations in paragraph 3 herein shall be deemed to constitute a timely filed proof of claim for the Bridge Loan Agent and the Bridge Loan Lenders. Notwithstanding any order entered by the Court in relation to the establishment of a bar date in any of the TSC Cases or successor cases to the contrary, the Bridge Loan Agent for the benefit of itself and the Bridge Loan Lenders is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as it sees fit) a proof of claim and/or aggregate proofs of claim in each of the TSC Cases or successor cases for any claim allowed herein.

26. *Binding Effect; Successors and Assigns.* The DIP Documents and the provisions of this Order, including all findings herein, shall be binding upon all parties- in interest in the TSC Cases, including without limitation, the DIP Agent, the DIP Lender the Bridge Loan Agent, the Bridge Loan Lenders, any statutory committee that may be appointed in the TSC Cases and the TSC Debtors and their respective successors and assigns (including any chapter 7 or chapter 11 trustee hereinafter appointed or elected for any of the TSC Debtors, an examiner appointed pursuant to section 1104 of the Bankruptcy Code, or any other fiduciary appointed as a legal representative of any of the TSC Debtors or with respect to the property of the estate of any of the TSC Debtors) and shall inure to the benefit of the DIP Agent, the DIP Lender, the Bridge Agent, the Bridge Lenders and the TSC Debtors and their respective successors and assigns; provided, however, that except to the extent expressly set forth in this Order, the DIP Agent, the DIP Lender, the Bridge Loan Agent and the Bridge Loan Lenders shall have no obligation to

permit the use of Cash Collateral, in which such party has an interest, or extend any financing to any chapter 7 trustee or similar responsible person appointed for the estates of the TSC Debtors.

27. *Limitation of Liability.* In determining to make any DIP Loan under the DIP Agreement, permitting the use of Cash Collateral or in exercising any rights or remedies as and when permitted pursuant to this Order or the DIP Documents, the DIP Agent, the DIP Lender, the Bridge Loan Agent and the Bridge Loan Lenders shall not be deemed to be in “control” of the operations of the February Debtors or to be acting as a “responsible person” or “owner or operator” with respect to the operation or management of the February Debtors (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, 29 U.S.C. §§ 9601 *et seq.* as amended, or any similar federal or state statute). Furthermore, nothing in this Order or in the DIP Documents shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent, the DIP Lender, the Bridge Loan Agent or the Bridge Loan Lenders any liability for any claims arising from the prepetition or postpetition activities of any of the February Debtors and their affiliates (as defined in section 101(2) of the Bankruptcy Code).

28. *Effectiveness.* This Order shall constitute findings of fact and conclusions of law and shall take effect immediately upon execution hereof as of the February Petition Date, and there shall be no stay of execution of effectiveness of this Order.

29. For the avoidance of doubt, this Order and each of the provisions thereof are being entered on a final basis.

Dated: _____, 2011
New York, New York

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Commitment Letter

Solus Alternative Asset Management LP
430 Park Avenue
New York, New York 10022

February 2, 2011

TerreStar Corporation
TerreStar Holdings Inc.
12010 Sunset Hills Road
Reston, Virginia 20190
Attention: Mr. Jeffrey Epstein, President and Chief Executive Officer,
Mr. Vincent Loiacono, Chief Financial Officer

Re: DIP & Confirmation Financing Commitment

Gentlemen:

TerreStar Corporation, a Delaware corporation ("TerreStar"), and TerreStar Holdings Inc., a Delaware corporation ("Holdings" together with TerreStar, each a "Company" and collectively, the "Companies") (i) have advised Solus Alternative Asset Management LP (the "Commitment Party") that the Companies intend to file petitions (the "Chapter 11 Cases") under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"), (ii) have requested that the Commitment Party provide a debtor-in-possession financing facility to finance the Companies' general working capital and corporate purposes during the pendency of the Chapter 11 Cases, and (iii) have requested that the Commitment Party provide financing for a proposed plan of reorganization for the Companies (the "Plan of Reorganization"). The Commitment Party is pleased to advise you of its commitment which may be performed by itself or together with one or more of its affiliates or related funds, to (A) provide 100% of a debtor-in-possession financing facility consisting of a term loan in an amount of \$15 million (the "DIP Facility") to the Companies, as debtors-in-possession, to finance the Companies' general working capital and corporate purposes during the pendency of the Chapter 11 Cases substantially on the terms and conditions set forth in the Outline of Terms and Conditions attached hereto as Exhibit A (the "Term Sheet") and (B) in the event a Plan of Reorganization is confirmed under the Bankruptcy Code, 100% of a term loan (the "Confirmation Facility" and, together with the DIP Facility, each a "Facility" and collectively, the "Facilities") in an amount sufficient to refinance the DIP Facility and to finance the consummation of the Plan of Reorganization for the Companies, as reorganized pursuant to the Chapter 11 Cases (the Companies, as so reorganized, being referred to herein as the "Reorganized Companies" and TerreStar, as so reorganized, being referred to herein as "Reorganized TerreStar"), on the terms and conditions to be agreed to by the parties or on terms and conditions which, taken as a whole, shall be no less favorable to the Lenders (as defined below) than those with respect to the DIP Facility. The obligations of the Companies under the DIP Facility will be secured by, subject to exceptions to be agreed upon, first priority liens on, and security interests in, substantially all assets of the Companies (including a pledge of the membership units of TerreStar 1.4 Holdings LLC, a Delaware limited liability company ("TerreStar 1.4"). The Commitment Party's commitment to provide the DIP

Facility is subject in all respects to the satisfaction of the terms and conditions contained in this letter and in the Term Sheet.

The Commitment Party and the Companies understands that the Bankruptcy Code and the applicable Bankruptcy Rules require the approval of, and entry of an order by, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") having jurisdiction over the respective Chapter 11 Cases of the Companies and at least 15 days' notice for approval of such financing pursuant to a final order by the Bankruptcy Court (the "Final DIP Order") in form and substance reasonably satisfactory to the Commitment Party.

The Commitment Party reserves the right, prior to or after the execution of definitive documentation for the DIP Facility, to syndicate a portion of its commitments hereunder to any person who, at the time of such assignment, is a holder of the preferred stock of TerreStar or an affiliate of such person (the Commitment Party together with such assignee(s), if any, are collectively referred to as "Lenders"); provided that the Commitment Party shall not be released from its commitments hereunder so assigned except to the extent such assignee funds the portion of the commitment assigned to it on the DIP Facility Closing Date.

By its execution hereof and its acceptance in writing of this letter, each of the Companies, jointly and severally, agree to indemnify and hold harmless the Lenders and their affiliates, and each of their directors, officers, employees and agents (each an "Indemnified Party") from and against any and all losses, claims, damages, liabilities or other expenses to which such Indemnified Party may become subject, insofar as such losses, claims, damages, liabilities (or actions or other proceedings commenced or threatened in respect thereof) or other expenses arise out of or in any way relate to or result from, this letter or the extension of either Facility or in any way arise from any use or intended use of this letter or the proceeds of either Facility, and each of the Companies, jointly and severally, agree to reimburse each Indemnified Party for any actual, reasonable and documented legal or other expenses incurred in connection with investigating, defending or participating in any such loss, claim, damage, liability or action or other proceeding (whether or not such Indemnified Party is a party to any action or proceeding out of which indemnified expenses arise), but excluding therefrom all expenses, losses, claims, damages and liabilities which are finally determined in a non-appealable decision of a court of competent jurisdiction to have resulted solely from the gross negligence or willful misconduct of such Indemnified Party. In the event of any litigation or dispute involving this letter, the DIP Facility or the Confirmation Facility, the Lenders shall not be responsible or liable to any Company, any Reorganized Company, any of their respective subsidiaries or any other person for any special, indirect, consequential, incidental or punitive damages. In addition, each of the Companies, jointly and severally, agree to reimburse the Agent (as defined in the Term Sheet) and the Lenders for all actual, reasonable and documented fees and expenses (the "Expenses") incurred by or on behalf of the Agent and the Lenders in connection with the negotiation, preparation, execution and delivery of this letter, the Term Sheet and any and all definitive documentation relating hereto or thereto, including, but not limited to, the actual, reasonable and documented fees and expenses of counsel to the Agent and the Lenders and the actual reasonable

and documented fees and expenses incurred by the Agent and the Lenders in connection with any due diligence and syndication of the Facilities. The joint and several obligations of each of the Companies under this paragraph shall remain effective whether or not definitive documentation is executed and notwithstanding any termination of this letter.

The Commitment Party's commitment to provide the DIP Facility is subject to (i) the negotiation, execution and delivery of definitive loan documentation in form and substance reasonably satisfactory to the Commitment Party, (ii) the satisfaction of the Commitment Party that since the date hereof there has not occurred or become known to the Commitment Party any material adverse change with respect to the condition, financial or otherwise, business, operations, assets or liabilities of the Companies and TerreStar 1.4 taken as a whole (a "Material Adverse Change"), other than the filing of the Chapter 11 Cases and the events that could reasonably be expected to result from the filing of the Chapter 11 Cases and the chapter 11 cases (the "TSN Cases") of TerreStar Networks Inc., TerreStar National Services, Inc., TerreStar License Inc., TerreStar Networks Holdings (Canada) Inc., TerreStar Networks (Canada) Inc. and 0887729 B.C. Ltd. (collectively, the "TSN Debtors"), and (iii) such other customary conditions as are set forth in the Term Sheet. If at any time the Commitment Party shall reasonably determine that any Material Adverse Change has occurred, the Commitment Party may terminate this letter by giving notice thereof to TerreStar (subject to the joint and several obligation of the Companies to pay all Expenses and other payment obligations expressly assumed by the Companies hereunder, which shall survive the termination of this letter).

Each of the Companies represent and warrant that (i) all written information and other materials concerning the Companies and their subsidiaries (other than projections, estimates, budgets or forward looking statements) (the "Information") which has been, or is hereafter, prepared by, or on behalf of, the Companies, or their subsidiaries and delivered to the Commitment Party is, or when delivered will be, when considered as a whole, complete and correct in all material respects and does not, or will not when delivered, contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statement has been made and (ii) to the extent that any such Information contains projections, estimates, budgets or forward looking statements, such projections, estimates, budgets or forward looking statements were prepared in good faith on the basis of (A) assumptions, methods and tests stated therein which are believed by the Companies to be reasonable at the time made and (B) information believed by the Companies to have been accurate based upon the information available to the Companies at the time such projections, estimates, budgets or forward looking statements were prepared and furnished to the Commitment Party. Each of the Companies agree that if at any time prior to the DIP Facility Closing Date (as defined in the Term Sheet), any of the representations in the preceding sentence would be incorrect in any material respect if the information and projections were being furnished, and such representations were being made, at such time, then the Companies will promptly supplement, or cause to be supplemented, the information and projections so that such representations will be correct in all material respects under those circumstances.

The offer made by the Commitment Party in this letter shall expire, unless otherwise agreed to by the Commitment Party in writing, upon the earlier to occur of (i) 12:00 p.m. (New York City time) February 3, 2011 and (ii) the commencement of the Chapter 11 Cases, unless prior thereto the Commitment Party have received a copy of this letter, signed by the Companies accepting the terms and conditions of this letter and the Term Sheet. The commitment by the Commitment Party to provide the DIP Facility shall expire at 5:00 p.m. (New York City time) on February 20, 2011, unless, on or prior to such date, the Companies shall have commenced the Chapter 11 Cases and definitive loan documentation for the DIP Facility shall have been agreed to in writing by all parties on or prior to such date, such documentation to be subject to Bankruptcy Court approval.

Should the terms and conditions of the commitment and proposal contained in this letter meet with your approval, please indicate your acceptance by signing and returning a copy of this letter to the Commitment Party in connection with the acceptance by the Companies of this letter.


[Remainder of page intentionally left blank.]

TerreStar Corporation
TerreStar Holdings Inc.
February 2, 2011

This letter, including the attached Term Sheet, (i) supersedes all prior discussions, agreements, proposals, commitments, arrangements, negotiations or understandings, whether oral or written, of the parties with respect thereto, (ii) shall be governed by the law of the State of New York, without giving effect to the conflict of laws provisions thereof, (iii) shall be binding upon the parties and their respective successors and permitted assigns, (iv) may not be relied upon or enforced by any other person or entity, and (v) may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. If this letter becomes the subject of a dispute, each of the parties hereto hereby waives trial by jury to the extent permitted by applicable law and agrees that any suit or proceeding arising in respect to this letter agreement will be tried exclusively in the Bankruptcy Court or, if that court does not have subject matter jurisdiction, then the U.S. District Court for the Southern District of New York or, if that court does not have subject matter jurisdiction, then in any state court located in the City of New York, and each party hereto agrees to submit to the exclusive jurisdiction of, and to venue in, such court. This commitment letter may be amended, modified or waived only in a writing signed by each of the parties hereto.

Very truly yours,

SOLUS ALTERNATIVE ASSET
MANAGEMENT LP


Stephen J. Blauner
Managing Director

TerreStar Corporation
TerreStar Holdings Inc.
February 2, 2011

Agreed and accepted on this
2nd day of February, 2011:

TERRESTAR CORPORATION

By: 

Name: Doug Brandon
Title: General Counsel and Secretary

TERRESTAR HOLDINGS INC.

By: 

Name: Doug Brandon
Title: Secretary

Exhibit A

TerreStar Corporation
TerreStar Holdings Inc.

Outline of Terms and Conditions

This Outline of Terms and Conditions is part of the DIP & Confirmation Financing Commitment Letter, dated February __, 2011 (the "Commitment Letter"), addressed to TerreStar Corporation, a Delaware corporation ("TerreStar") and TerreStar Holdings Inc., a Delaware corporation ("Holdings" and together with TerreStar, each a "Company" and collectively, the "Companies") by Solus Alternative Asset Management LP and is subject to the terms and conditions of the Commitment Letter. Capitalized terms used herein shall have the meanings set forth in the Commitment Letter unless otherwise defined herein.

BORROWER: *DIP Facility:* TerreStar and Holdings, as debtors-in-possession under the Chapter 11 Cases (each a "Borrower" and collectively, the "Borrowers").

AGENT: NEXBANK, SSB, as agent for the Lenders (in such capacity, the "Agent").

LENDERS: The Commitment Party and its permitted assigns of its commitment hereunder.

FACILITIES: The DIP Facility shall provide for multiple-draw term loans in an aggregate amount up to \$15,000,000.

Term loans under the DIP Facility (the "DIP Term Loan") will be in an aggregate amount equal to \$15,000,000. The initial DIP Term Loan will be made on or shortly after the DIP Facility Closing Date and the DIP Term Loan shall be payable in full on the DIP Facility Maturity Date. Amounts repaid under the DIP Term Loan may not be reborrowed.

Borrowings under the DIP Facility will be funded promptly and in any event no later than two (2) business days after receipt of prior written notice.

TERM: All Loans under the DIP Facility are to be repaid in full at the earliest of (i) twelve (12) months from the DIP Facility Closing Date ("DIP Anniversary Date"), (ii) the closing of a sale of all or substantially all of the assets of the Borrowers and TerreStar 1.4, (iii) the conversion of the Chapter 11 Cases into a liquidation proceeding pursuant to Chapter 7 of title 11 of the United States Bankruptcy Code, (iv) the acceleration of all obligations under DIP Facility after the occurrence of an event of default, and (v) the effective date of the Plan of Reorganization (the "DIP Facility Maturity Date"). Any confirmation order entered in the Chapter 11 Cases shall not discharge or otherwise affect in any way any

of the obligations of the Borrowers to Agent and the Lenders, other than after the payment in full and in cash to the Agent and Lenders of all obligations under the DIP Facility on or before the effective date of the Plan of Reorganization.

**MANDATORY /
VOLUNTARY
PREPAYMENTS:**

Customary mandatory prepayments, subject to thresholds and exceptions to be agreed upon by the Commitment Party and the Borrowers, to be included in definitive Loan Documents (e.g., issuance of debt, sales of assets, tax refunds, condemnation settlements, casualty events and other extraordinary events). In addition, the Borrowers shall be required to make quarterly prepayments on the DIP Term Loans in an amount equal to 100% of the lease payments actually received by TerreStar 1.4 under the Spectrum Manager Lease Agreement between TerreStar 1.4 and One Dot Four Corporation (the "Spectrum Lease Agreement") and subsequently sent to Holdings (the "1.4 Lease Payments") for each calendar quarter following the DIP Facility Closing Date; provided that any prepayment with the 1.4 Lease Payments shall only be payable to the extent that the Borrowers have at least \$2,000,000 cash on hand; provided further that any Lender shall have the option to elect not to receive such payments. Voluntary prepayments shall be permitted at any time.

CLOSING DATE:

The DIP Facility shall close on the first date on which all definitive loan documentation in connection therewith satisfactory to the Commitment Party (the "DIP Loan Documents") is executed by the Borrowers, the Agent and the Commitment Party (the "DIP Facility Closing Date"), which date shall not be later than March 15, 2011, on or after the date the Bankruptcy Court shall have entered the Final DIP Order in form and substance reasonably satisfactory to the Commitment Party.

COLLATERAL:

All obligations of the Borrowers to the Agent, for the benefit of the Lenders, under the DIP Facility shall be: (i) entitled to super-priority administrative expense claim status pursuant to 11 U.S.C. § 364(c)(1) in the Chapter 11 Cases and (ii) secured by a first priority security interest in and lien on all now owned or hereafter acquired assets and property of the estates (as defined in the Bankruptcy Code), real and personal, of the Borrowers, including proceeds of all avoidance actions and all of the membership units of TerreStar 1.4 (the "DIP Facility Collateral"), such security interest to be granted pursuant to 11 U.S.C. §§ 364(d).

INTEREST:

The DIP Term Loan shall bear interest at a rate per annum equal to 12.50%. Interest shall be payable in cash and monthly in arrears.

All interest and fees shall be computed on the basis of a year of 360 days for the actual days elapsed. If any Event of Default shall occur and be continuing, interest shall accrue at a rate per annum at 2% in excess of

the rate of interest otherwise in effect.

**CASH
MANAGEMENT:**

With respect to the DIP Facility, the proceeds of the DIP Term Loan and all collections of the Borrowers shall be deposited into one or more accounts, each subject to a first priority lien in favor of, and under the dominion and control of, the Agent (each a "Specified Account" and collectively, the "Specified Accounts"). In the absence of an Event of Default, the Borrowers will be entitled to use the funds in the Specified Account subject to the Budget (as defined below) (and any permitted variances and exceptions thereto) in accordance with the "Use of Proceeds" section of this Term Sheet. During the continuance of an Event of Default, the Agent shall be entitled to use the funds in the Specified Account to repay the obligations under the DIP Facility.

FEES:

DIP Commitment Fee: The Borrowers shall pay a DIP Commitment Fee in an amount equal to 4.0% of the principal amount of the DIP Term Loan, which fee shall be earned in full and payable in kind upon the initial funding of the DIP Facility.

**Administrative Agency
Fee:**

With respect to the DIP Facility, the Borrowers shall pay an administrative agency fee equal to \$12,000 (the "Administrative Agency Fee") which fee shall be non-refundable and fully earned on the DIP Facility Closing Date.

USE OF PROCEEDS:

All of the Loans made under the DIP Facility shall be used, upon the approval of the Bankruptcy Court, solely to (i) pay fees and expenses associated with the DIP Facility, (ii) make one or more intercompany loans to certain subsidiaries of TerreStar in an aggregate amount not to exceed \$100,000 or such higher amount with the consent of the Requisite Lenders, and (iii) in accordance with the Budget, provide for the Borrowers' ongoing working capital requirements, including, payments and settlements of prepetition claims, subject to the reasonable consent of the Requisite Lenders. Notwithstanding the foregoing (A) in the absence of a continuing event of default, the DIP Term Loan may be used to pay all professional fees and expenses incurred by the Borrowers and by any official committees approved by the Bankruptcy Court in the Chapter 11 Cases and approved by the Bankruptcy Court and the fees pursuant to 28 U.S.C. § 1930 (collectively, the "Professional Fees") and (B) after the occurrence and during the continuance of an event of default, the DIP Term Loan may be used to pay the unpaid Professional Fees that have been incurred prior to the occurrence of such event of default and approved by the Bankruptcy Court plus \$800,000 in the aggregate for any Professional Fees incurred after the occurrence of any

such event of default and approved by the Bankruptcy Court.

**CONDITIONS
PRECEDENT:**

The obligation of the Commitment Party to make any Loans under the DIP Facility will be subject to the following conditions precedent:

- (a) Execution and delivery of appropriate Loan Documents (including, without limitation, control agreements, pledge agreements and security agreements, as appropriate), in form and substance reasonably satisfactory to the Commitment Party.
- (b) No Material Adverse Change other than the filing of the Chapter 11 Cases and the events that could reasonably be expected to result from the filing of the Chapter 11 Cases and the TSN Cases.
- (c) No default or event of default shall exist under the Loan Documents or Final DIP Order, as applicable.
- (d) Filing of petitions commencing the Chapter 11 Cases and entry of the Final DIP Order by the Bankruptcy Court, reasonably satisfactory in form and substance to the Commitment Party, no later than March 15, 2011, which Final DIP Order shall not have been reversed, modified, amended, stayed, vacated or be subject to appeal. The Final DIP Order shall provide the liens granted in favor of the Agent, for the benefit of the Lenders, which shall have the priority set forth in the "Collateral" section of this Term Sheet as it relates to DIP Facility Collateral. The Final DIP Order shall find and conclude that the DIP Facility was negotiated in good faith and the Agent and the Lenders are entitled to the protections of 364(e) of the Bankruptcy Code. The Commitment Party shall have received copies of the customary material "first day" orders and petitions.
- (e) All necessary governmental (including FCC) and third party consents and approvals necessary in connection with the DIP Facility and the financing transactions contemplated thereby shall have been obtained (without the imposition of any conditions that are not reasonably acceptable to the Commitment Party) and shall remain in effect and all applicable governmental filings have been made and all applicable waiting periods shall have expired without in either case any action being taken by any competent authority; and no law or regulation shall be applicable in the reasonable judgment of Commitment Party that imposes materially adverse conditions upon, or restrains or prevents, the DIP Facility or the financing transactions contemplated thereby.

- (f) All necessary governmental and third party consents, licenses and approvals (including any FCC licenses and approvals) necessary in connection with operation of the 1.4GHz spectrum held at TerreStar 1.4 shall have been obtained (without the imposition of any conditions that are not reasonably acceptable to Commitment Party) and shall remain in effect and all applicable governmental filings have been made.
- (g) The Commitment Party shall have received a budget for the Companies, in form and substance reasonably satisfactory to the Commitment Party, including monthly (for the months thereafter through the term of the DIP Facility) projections, including cash flow statements and statement of operations on a consolidating basis (the "Budget") and weekly cash flow forecasts of the Companies for the next succeeding 13 weeks.
- (h) Other than those that have been disclosed to the Commitment Party prior to the date hereof, there shall exist no claim, action, suit, investigation, litigation or proceeding, pending or threatened in any court or before any arbitrator or governmental instrumentality which relates to the Plan of Reorganization, the DIP Facility or which, in the reasonable opinion of the Commitment Party, has any reasonable likelihood of having a material adverse effect on the condition (financial or otherwise), operations, performance, properties, assets, liabilities or business of the Borrowers or TerreStar 1.4.

**REPRESENTATIONS
AND WARRANTIES:**

Usual representations and warranties, including, but not limited to, corporate existence and good standing, authority to enter into Loan Documents, occurrence of the DIP Facility Closing Date, validity of the Final DIP Order, governmental approvals (including FCC approvals), non-violation of other agreements, financial statements, litigation, compliance with environmental, pension and other laws, taxes, insurance, absence of any event causing a Material Adverse Change, absence of default or unmatured default under either Facility, ownership of property and priority of the Agent's liens.

COVENANTS:

Usual covenants, including, but not limited to, provision of financial statements, notices of litigation, defaults and unmatured defaults and other information (including pleadings, motions, applications, and other documents filed with the Bankruptcy Court or distributed to any official committee appointed in the Chapter 11 Cases), compliance with permits, licenses (including FCC permits, licenses and approvals) and laws (including, without limitation, ERISA and environmental laws), inspection of properties, books and records, maintenance of insurance, limitations with respect to liens and encumbrances (including, without

limitation, a prohibition on pledging or encumbering membership units of TerreStar 1.4), dividends and retirement of capital stock (other than the cash payment to holders of preferred stock of TerreStar upon the effective date of the Reorganization Plan), guarantees, sale and lease back transactions, consolidations and mergers, investments, capital expenditures, loans and advances, indebtedness, transactions with affiliates, prepayment of other indebtedness and amendments to material agreements (including the Spectrum Lease Agreement), in each case subject to certain exceptions to be agreed upon.

Financial reporting to include: (i) annual, audited financial statements, (ii) quarterly, internally prepared, financial statements, (iii) monthly, internally prepared, financial statements, (iv) delivery of updated Budgets, (v) delivery of monthly compliance certificates, including a reconciliation of actual results for the immediately preceding month to the budgeted amounts for such month and a detail explanation of the all variances, (vi) annual projections, including monthly balance sheet, profit and loss and cash flow figures, and (vii) other reporting as reasonably required by the Requisite Lenders (including, but not limited to, providing any material correspondence, reports, amendments or any other material information provided or received with respect to (a) the Spectrum Lease Agreement, and (b) the FCC with respect to the permits, licenses and approvals required to operate the 1.4GHz spectrum held at TerreStar 1.4)

MILESTONES

The Companies shall comply with the following milestone: on or prior to November 30, 2011, entry of an order by the Bankruptcy Court confirming a plan of reorganization of the Companies containing treatment of claims and release provisions that are reasonably acceptable to the Requisite Lenders and providing that the Companies will work in good faith and consult with the Lenders regarding the remaining terms of such plan of reorganization.

EVENTS OF DEFAULT:

Usual and customary events of default, including, but not limited to, payment, cross-default, violation of covenants, breach of representations or warranties, bankruptcy or insolvency (with respect to TerreStar 1.4), judgment, ERISA, environmental, material adverse deviation from the Budget subject to such line items (excluding, among other things, the professional fees and expenses incurred by the Borrowers and by any official committees approved by the Bankruptcy Court in the Chapter 11 Cases and the fees pursuant to 28 U.S.C. § 1930) and variances in the Budget to be agreed upon, change of control, termination or a breach of the Spectrum Lease Agreement, or the loss or revocation of any FCC license with respect to TerreStar 1.4's ability to operate the 1.4GHz spectrum.

In addition, in the case of the DIP Facility, an Event of Default shall occur if: (i) any of the Chapter 11 Cases shall be dismissed or converted to a Chapter 7 case; a Chapter 11 trustee or an examiner with enlarged powers shall be appointed; any other superpriority administrative expense claim which is senior to or pari passu with the Agent's claims shall be granted; the Final DIP Order shall be stayed, amended, modified, reversed or vacated; a Plan of Reorganization shall be confirmed in any of the Chapter 11 Cases which does not provide for payment in full in cash of the Borrowers' obligations thereunder on the effective date of the Plan of Reorganization; or an order shall be entered which dismisses any of the Chapter 11 Cases and which order does not provide for termination of the DIP Facility and payment in full in cash of all obligations thereunder or the Borrowers shall take any action, including the filing of an application, in support of any of the foregoing or any person other than the Borrowers shall do so and such application is not contested in good faith by the Borrowers and the relief requested is granted in an order that is not stayed pending appeal; or (ii) the Bankruptcy Court shall enter an order granting relief from the automatic stay to the holder of any security interest in any asset of the Borrowers having a book value in an amount to be determined.

**REQUISITE
LENDERS**

After the DIP Facility Closing Date, collectively, Lenders having more than fifty percent (50%) of the principal amount of all DIP Term Loan then outstanding.

GOVERNING LAW:

All documentation in connection with the DIP Facility shall be governed by the laws of the State of New York and the Bankruptcy Code.

**ASSIGNMENTS,
PARTICIPATIONS:**

Each Lender may sell or assign to one or more of its affiliates and related funds all or a portion of its loans or commitments under the DIP Facility without the consent of the Borrowers.

Each Lender may also sell participations in its loans and/or commitments under the DIP Facility without the consent of the Borrowers.

EXPENSES:

The Borrowers shall reimburse the Agent for all of the Agent's actual, reasonable and documented out-of-pocket costs and expenses relating to DIP Facility, including, but not limited to, search fees, filing and recording fees, attorneys' fees and expenses, and financial examination and collateral inspection and appraisal and valuation fees and expenses.

EXHIBIT C

Zelin Declaration

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:)	Chapter 11
TERRESTAR CORPORATION, <i>et al.</i> , ¹)	Case No. 11-10612 (SHL)
Debtors.)	Joint Administration Requested

**DECLARATION OF STEVEN ZELIN IN SUPPORT OF MOTION
OF THE FEBRUARY DEBTORS AND THE GUARANTOR FOR
ORDER (A) AUTHORIZING THE FEBRUARY DEBTORS TO
OBTAIN POSTPETITION FINANCING AND (B) AUTHORIZING
THE FEBRUARY DEBTORS TO USE CASH COLLATERAL**

I, Steven Zelin, hereby declare, pursuant to 28 U.S.C. § 1746, under penalty of perjury:

Background

1. I am a Senior Managing Director of Blackstone Advisory Partners L.P. (“*Blackstone*”), a global alternative asset manager and provider of financial advisory services listed on the New York Stock Exchange that maintains offices at 345 Park Avenue, New York, New York 10154. Blackstone was retained by the TSC Debtors in April 2010 to assist with a broad range of responsibilities including, among other things, to structure and secure debtor-in-possession financing to the extent necessary. Over the course of the last several months, Blackstone has become familiar with the TSC Debtors’ business, finances and capital structure, as well as their financial restructuring initiatives.

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor’s federal taxpayer-identification number, are: (a) TerreStar Corporation [6127]; and TerreStar Holdings Inc. [0778] (collectively, the “*February Debtors*”) and (b) TerreStar New York Inc. [6394]; Motient Communications Inc. [3833]; Motient Holdings Inc. [6634]; Motient License Inc. [2431]; Motient Services Inc. [5106]; Motient Ventures Holding Inc. [6191]; MVH Holdings Inc. [9756] (collectively, the “*Other TSC Debtors*” and, collectively with the February Debtors, the “*TSC Debtors*”).

2. I joined Blackstone in 1998 and was made partner in 2000. Prior to joining Blackstone, I was a partner in the Restructuring & Reorganization Group of Ernst & Young LLP.

3. I have almost 23 years of experience in financial advisory services, including financial transactions, valuation and restructuring transactions. I have led complex bankruptcies and reorganizations across a broad spectrum of industries in a variety of capacities. Among other things, I have advised companies, equity sponsors and creditors in both domestic and cross-border restructuring, capital raise, financing and merger and acquisition advisory transactions. In particular, I have provided services to debtors and other constituencies in numerous chapter 11 cases, including, among others, *Abitibi Bowater Holdings, Inc.*, *Aeromexico/Mexicana Airlines, Aquila, Inc.*, *Big V Supermarkets (Shop Rite)*, *Delphi Corporation*, *Enron Corporation*, *Entergy New Orleans*, *Jefferson County (Alabama) Sewer System*, *Ferruzzi Finanziaria*, *Ford Motor Company*, *General Motors Corporation*, *The Goodyear Tire & Rubber Company*, *Highland Hospitality Corp.*, *Integrated Resources, Inc.*, *Intrawest ULC*, *Kindred Healthcare (formerly Vencor)*, *Marvel Entertainment Group*, *Mrs. Fields Cookies, Inc.*, *Motorola Inc.* (in the restructuring of *Iridium*), *Pacific Lumber/Scotia Pacific Corp.*, *SEM Group Energy Partners*, *R. H. Macy & Co.*, *State of Rhode Island* (in the restructuring of *Twin River Casino*), *Sumitomo Corp* (in the restructuring of *Apex Silver Mines*), *Washington Mutual, Inc.* and *Xerox Corporation*. I have provided expert witness testimony regarding valuation and restructuring matters on numerous occasions.

4. I submit this declaration in support of the *Motion of the February Debtors and the Guarantor for Order (A) Authorizing the February Debtors to Obtain Postpetition Financing and (B) Authorizing the February Debtors to Use Cash Collateral* (the “**DIP Motion**”).²

5. The statements in this declaration are, except where specifically noted, based on my personal knowledge or opinion, on information that I have received from the TSC Debtors’ employees or advisors and/or employees of Blackstone working directly with me or under my supervision, direction or control, or from the TSC Debtors’ records maintained in the ordinary course of their business. I am not being compensated specifically for this testimony other than through payments received by Blackstone as a professional proposed to be retained by the TSC Debtors.³ If I were called upon to testify, I could and would testify competently to the facts set forth herein. I am authorized to submit this declaration on behalf of the TSC Debtors.

The February Debtors’ Need for Postpetition Financing

6. The February Debtors do not generate sufficient cash to cover their expenses. Accordingly, regular infusions of financing are necessary to maintain the February Debtors’ business and the value of the February Debtors’ assets.

7. Accordingly, over the past several months, the February Debtors attempted a number of measures to increase liquidity and remove obligations from their balance sheet. Although the February Debtors were successful in obtaining short-term financing, these transactions were not nearly enough to solve the long-term liquidity problem that continues to plague the February Debtors.

² Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the DIP Motion.

³ By separate motion, I understand the TSC Debtors will be filing a motion to approve the retention of Blackstone as financial advisor for the TSC Debtors *nunc pro tunc* to the Petition Date.

8. As such, the February Debtors determined that the best path forward was to file for chapter 11. As part of that path, the February Debtors needed to obtain debtor-in-possession financing to, among other things, maintain their business in chapter 11 and work towards a successful reorganization.

9. Blackstone worked with the February Debtors' management to analyze their cash needs and develop a 13-week cash flow forecast. This forecast considers a number of items, including, among others, the impact of a bankruptcy filing, material cash disbursements, required vendor payments and cash flows.

10. Absent approval of the DIP Financing and the February Debtors' use of Cash Collateral, the February Debtors' financial analysis and projections make clear that the February Debtors' current cash on hand and minimal cash generated will be insufficient to, among other things, preserve the February Debtors' assets during the pendency of these chapter 11 cases. Without access to the DIP Financing and the use of Cash Collateral, the February Debtors will soon have no cash available to maintain their business and make the necessary expenditures that are critical to their success. As such, the February Debtors would be forced to curtail or even terminate their business to the material detriment of all parties in interest in these chapter 11 cases. Thus, the February Debtors need to ensure that working capital is available now.

11. Lastly, the DIP Financing received by the February Debtors will be subject to a budget. The February Debtors, with the assistance of Blackstone, have agreed upon an initial budget (each, a "**Budget**") for the DIP Financing for the thirteen-week period beginning on the closing of the DIP Financing. After discussing and working to put together the Budget with the February Debtors, I believe that the Budget is achievable, will allow the February Debtors to

avoid the accrual of unpaid administrative expenses and will allow the February Debtors to preserve their assets during these chapter 11 cases.

DIP Financing Negotiations

12. Despite the February Debtors' obvious needs for debtor-in-possession financing (as explained above), the February Debtors were still able to run a focused process to both obtain the best possible financing available, as well as, at the same time, attempt to explore restructuring alternatives with their stakeholders.

13. Up until a few days before the October Petition Date, the February Debtors had contemplated filing for chapter 11 at the same time as the Other TSC Debtors. However, certain of the largest preferred shareholders (the "*Preferred Shareholders*") of TSC's preferred stock requested that the February Debtors refrain from filing for chapter 11 while they worked with the February Debtors on the terms of a consensual restructuring.

14. As part of the consensual negotiations, the Preferred Shareholders agreed to provide the February Debtors with the \$2.65 million Bridge Loan while the parties determined if a consensual restructuring could be achieved, and Highland Capital Management, L.P. agreed to toll certain litigation outstanding against TSC. As such, and as an accommodation to the above-mentioned Preferred Shareholders, the February Debtors delayed a chapter 11 filing to pursue a consensual restructuring.

15. Despite the best efforts of all parties, the February Debtors and the Preferred Shareholders were unable to reach agreement reasonably satisfactory to the February Debtors regarding postpetition financing and the form of a plan of reorganization before the February Debtors depleted their cash. Because the February Debtors were unable to negotiate a postpetition funding agreement with the Preferred Shareholders, the February Debtors executed a

commitment letter with a third party that had been identified as part of the Blackstone DIP solicitation. Subsequent to the execution of that commitment letter, Solus Alternative Asset Management LP (the “*DIP Lender*”), an existing Preferred Shareholder, offered to provide the February Debtors with debtor-in-possession financing that the February Debtors and their professionals believe is materially better for the February Debtors. Specifically, the debtor-in-possession financing proposed by the DIP Lender (the “*DIP Financing*”) has a lower rate of interest, provides for multiple draws and does not have any prepayment penalties. Accordingly, on February 2, 2011, the February Debtors executed the DIP & Confirmation Financing Commitment (the “*Commitment Letter*”). Importantly, in addition to providing the February Debtors with debtor-in-possession financing, the Commitment Letter provides that the DIP Financing may be rolled into an exit facility, paving the way for a successful restructuring, the terms of which will be set forth in the joint chapter 11 plan of reorganization of the February Debtors and related disclosure statement, which the February Debtors intend to file shortly.

16. Shortly after the Commitment Letter was executed, it became apparent that additional funds would be needed to allow the February Debtors to revise pleadings and proceed with the debtor-in-possession facility contemplated by the Commitment Letter. Accordingly, on February 4, 2011, the Bridge Loan was amended to provide for an additional borrowing of \$1,631,578.95. In connection with the amendment to the Bridge Loan, the DIP Lender and the February Debtors agreed to reduce the amount committed under the Commitment Letter by \$1,631,578.95.

17. Prior to and during the consensual negotiations, the February Debtors and Motient Ventures Holding Inc. (the “*Guarantor*”) and their advisors analyzed and marketed various DIP financing structures, evaluated the February Debtors’ need for financing (*i.e.*, amount, type, etc.)

and carefully weighed the effect that the February Debtors' prepetition capital structure would have on both its ability to attain DIP financing as well as ultimately exit from chapter 11. In exploring all of their options, the February Debtors recognized that substantially all of the February Debtors' assets served as security for the Bridge Loan, such that either (i) the liens securing the Bridge Loan would have to be "primed" to obtain postpetition financing, (ii) the February Debtors would have to find a postpetition lender willing to extend credit to pay off the Bridge Loan or (iii) the February Debtors would have to find a postpetition lender willing to extend credit on a junior basis, all while considering that the existing Preferred Shareholders were the likely providers of the DIP financing.

18. In light of the above, and after thoroughly considering all other options, the February Debtors and the Guarantor determined that the proposal by the DIP Lender, which, upon information and belief, provided for the consensual priming of the Bridge Loan Liens, was in the best interests of the February Debtors and the Guarantor and all of their stakeholders. Specifically, the February Debtors and the Guarantor concluded that the DIP Financing proposal that is the subject of this DIP Motion was superior to all other options because it eliminates the risk of a "priming" fight with the Bridge Loan Lenders and provides the February Debtors with the financing necessary to continue their business during these chapter 11 cases. The February Debtors and the Guarantor believe that their decision to pursue this restructuring plan will be beneficial to their estates and will ensure a swift exit from these bankruptcy proceedings.

19. I believe that the terms of the DIP Financing, the February Debtors' use of the cash collateral as provided by the proposed order for the DIP Motion and all other financial accommodations provided under the DIP Documents are fair and reasonable and supported by reasonably equivalent value and fair consideration. Moreover, the DIP Financing addresses the

February Debtors' working capital and liquidity needs and will enable the February Debtors to preserve the value of their assets.

The DIP Financing Represents the Best Financing Available to the February Debtors

20. The February Debtors have been unable to procure sufficient financing: (a) in the form of unsecured credit; (b) solely as an administrative expense or (c) in exchange solely for the grant of a superpriority administrative expense claim. Accordingly, in order to induce the DIP Lender to provide the DIP Financing, the February Debtors agreed to provide the DIP Lender with superpriority claims, first priority liens on certain unencumbered property, junior liens on certain encumbered property, and first priority priming liens on certain encumbered property.

21. Upon information and belief, the February Debtors have obtained the consent of the Bridge Loan Lenders to prime the liens held by the Bridge Loan Lenders. Further, the priming of the liens held by Colbeck Capital Management, LLC ("*Colbeck*") and the Bridge Loan Lenders is appropriate as the February Debtors were unable to obtain debtor-in-possession financing otherwise and the interests of Colbeck and the Bridge Loan Lenders are adequately protected as the value of the February Debtors' assets greatly exceeds the amount of secured debt encumbering such assets. Specifically, the February Debtors' primary asset, the spectrum license, is currently being leased for \$24 million per year, which lease has a buyout option of \$250 million, subject to certain adjustments and credits, while the debt secured by the February Debtors' assets is less than \$20 million. Thus, the February Debtors' assets likely have a significant equity cushion.

22. In addition, the Bridge Loan Lenders have consented to the use of Cash Collateral. The Bridge Loan Lenders' interests are adequately protected by the Adequate Protection Lien, the 507(b) Claims, the payment of current interest in accordance with the terms

of the Bridge Loan and the reimbursement of the Bridge Loan Lenders' fees and expenses. These adequate protection obligations are fair and reasonable, and were necessary to enable the February Debtors to obtain the benefit of the DIP Financing.

23. The terms of the DIP Financing were negotiated in good faith and at arm's length between the February Debtors, the Guarantor, the DIP Agent and the DIP Lender. As explained above, accommodations granted by the February Debtors and the Guarantor under the DIP Financing were necessary and appropriate for the February Debtors to obtain the DIP Financing. The DIP Financing represents the best possible available debtor-in-possession financing available to the February Debtors and will enable the February Debtors to maintain their assets during the pendency of these chapter 11 cases.

[Signature Page Follows]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: New York, New York
February 16, 2011

/s/ Steven Zelin

Steven Zelin