The Blackstone Group®

December [], 2010

[Name] [Title] [Company] [Address]

Dear [Name]:

The Blackstone Group ("*Blackstone*") has been retained by TerreStar Networks, Inc. and its codebtor subsidiaries (collectively, the "*TSN Debtors*")⁽¹⁾ as financial advisor in connection with the chapter 11 cases of the TSN Debtors currently pending in the Bankruptcy Court for the Southern District of New York (Case No. 10-15446 SHL) (the "*Bankruptcy Court*"). On November 5, 2010, the TSN Debtors filed with the Bankruptcy Court a proposed plan of reorganization and disclosure statement (as may be amended, modified or supplemented from time to time, the "*Plan*" and the "*Disclosure Statement*," respectively), and on November 19, 2010, the TSN Debtors filed a motion with the Bankruptcy Court seeking, *inter alia*, approval of the TSN Debtors' entry into a Backstop Commitment Agreement with EchoStar ("*EchoStar*") pursuant to which, among other things, EchoStar would backstop a rights offering under the Plan.

Concurrently with the TSN Debtors' prosecution of their Plan and corresponding Disclosure Statement, and in the full exercise of their fiduciary duties, the TSN Debtors are also seeking alternative transactions (any such transaction, an "*Alternative Transaction*") for the sale of any or all of the TSN Debtors' assets (or any other transaction) which may result in greater value for the TSN Debtors' stakeholders and estates than the value which will result from the Plan. The assets which would be the subject of any such Alternative Transaction are those assets owned, held or used in the TSN Debtors' businesses, which include without limitation, the (a) license from the Federal Communications Commission to use 20 MHz of the 2.0 GHz band (the "*S-Band*") in the United States for mobile satellite service ("*MSS*") and ancillary terrestrial component ("*ATC*") service, (b) license from Industry Canada, the Canadian communications regulatory authority, to utilize the same S-Band spectrum in Canada for MSS, (c) rights in the TerreStar-1 and TerreStar-2 satellites, and (d) other assets which comprise the TSN Debtors' satellite communications network.

⁽¹⁾ The TSN Debtors are TerreStar Networks Inc., TerreStar National Services Inc., 0887729 B.C. Ltd., TerreStar License Inc., TerreStar Networks Holdings (Canada) Inc., and TerreStar Networks (Canada) Inc.

Process Timeline⁽²⁾

Pursuant to the terms of the TSN Debtors' \$75 million junior secured debtor-in-possession financing agreement with EchoStar (as approved by the Bankruptcy Court by final order on November 18, 2010, the "*DIP Facility*"), the TSN Debtors must comply with certain milestone requirements in order to avoid an event of default under the DIP Facility. These milestones are as follows:

- (1) Bankruptcy Court approval of the Disclosure Statement no later than December 14, 2010
- (2) Commencement of the hearing to confirm the Plan no later than January 31, 2011
- (3) Confirmation of the Plan no later than February 14, 2011

To the extent the TSN Debtors do not comply with these milestone requirements (or there occurs any other event of default under the DIP Facility) and such event of default is not waived or cured as permitted by the terms thereof, the TSN Debtors will need to repay the amount then outstanding under the DIP Facility. As such, interested parties should be cognizant of these milestones when submitting their proposals for an Alternative Transaction and, to the extent the TSN Debtors require replacement debtor-in-possession financing, should be prepared to provide to the TSN Debtors such financing that meets the requirements of the Bankruptcy Code in conjunction with or prior to entering into a definitive agreement with respect to any Alternative Transaction.

Set forth below are other key dates related to the Alternative Transaction process. These dates are intended to provide guidance to interested parties when considering any proposal for an Alternative Transaction.

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⁽²⁾ Please note that the marketing process which the TSN Debtors are engaged in as outlined in this letter as well as the *Notice of Marketing of Assets and Potential Sale Thereof* (Docket No. 210), filed with the Bankruptcy Court on November 29, 2010, is proceeding concurrently with the TSN Debtors' prosecution of the Plan, and as such, is not being run as a traditional "Section 363 Sale Process" with bidding procedures, timelines, and fees approved by the Bankruptcy Court.

Key Considerations

In order for the TSN Debtors to proceed with an Alternative Transaction (and thereby abandon the TSN Debtors' current Plan), such Alternative Transaction must be deemed to be of greater value to the TSN Debtors' stakeholders and estates than the value which will result from the Plan. In connection therewith, interested parties should note the following:

- 1. **Valuation:** The TSN Debtors' Plan is premised on an enterprise valuation of \$1.215 billion.⁽³⁾
- 2. Form of Consideration: Interested parties should strongly contemplate making a cash offer; any non-cash or deferred or contingent consideration (e.g., buyer stock, notes, earnouts, escrows) may be viewed as inferior to an all-cash offer.
- 3. **DIP:** As set forth above, any potential Alternative Transaction will need to include the provision of a replacement debtor-in-possession financing⁽⁴⁾ that will provide sufficient funding to support the TSN Debtors' business until the closing of an Alternative Transaction.
- 4. **Definitive Agreement:** To allow for adequate time to consider any proposal, we would advise interested parties to execute and deliver a definitive agreement related to the proposed Alternative Transaction by no later than January 24, 2011. Although not a requirement, the certainty provided by delivering an executed definitive agreement on that date would significantly enhance the attractiveness of any Alternative Transaction. A form of definitive agreement recommended by the TSN Debtors will be made available to you in the electronic data room.
- 5. **Bankruptcy Approval:** An Alternative Transaction is subject to the approval of the Bankruptcy Court.
- 6. **Regulatory Approval:** To the extent an Alternative Transaction results in a transfer of the TSN Debtor's FCC Licenses or Industry Canada Licenses, such Alternative Transaction shall be subject to regulatory approval.
- 7. Fees: Pursuant to the Equity Purchase and Commitment Agreement by and among EchoStar and TSN (Docket No. 188), an acquiror would be required to pay the backstop commitment fee equal to 3% of the backstop amount in cash. Based on the current contemplated backstop of \$100 million, such fee would amount to \$3 million.

The TSN Debtors have made an electronic data room available to you and your representatives in connection with your review of diligence materials and preparation of a proposed bid. Furthermore, the TSN Debtors' management will be available to meet with interested parties as

⁽³⁾ The Plan contemplates total distributable value equal to total enterprise value minus any amounts outstanding under the DIP Facility and approximately \$92 million of PMCA claims (as defined in the Plan). The TSN Debtors have approximately \$1 billion of 15.0% Senior Secured Notes claims that must be treated in accordance with the requirements of the Bankruptcy Code.

⁽⁴⁾ In light of the facts and circumstances of the chapter 11 cases, the TSN Debtors currently believe that a replacement debtor-in-possession financing will need to be provided on a junior basis to approximately \$1 billion in secured debt obligations, as explained in the Plan and Disclosure Statement.

part of the due diligence process. Please coordinate with Blackstone to schedule a time for any diligence calls and/or meetings with the management team. In order to ensure an efficient and timely process, Blackstone envisions formal management meetings to be scheduled between December 6, 2010 and December 17, 2010. Please provide three dates and times within this period that are convenient for your team, and submit your diligence requests in writing in advance.

All inquiries for information about the TSN Debtors and any other communications should be made directly through Blackstone and Akin Gump Strauss Hauer & Feld LLP, the TSN Debtors' legal counsel. Neither the TSN Debtors nor any of their representatives or any other third party with whom the TSN Debtors has a business or other relationship (including, without limitation, any customer, supplier, stockholder or creditor of the TSN Debtors) shall be contacted with regard to the TSN Debtors or an Alternative Transaction, without the TSN Debtors' prior consent (or as otherwise may be agreed upon by the TSN Debtors and you).

The TSN Debtors reserve the right to (i) consider, in their sole discretion, all factors they deem critical in evaluating any offer you make, and (ii) for any or no reason and without notice or liability to any party, to modify, suspend, or terminate the process for an Alternative Transaction, negotiate with one or more parties, or engage in any other arrangement of any kind.

The existence, contents, and terms of this letter and all information provided or to be provided to you in connection with this opportunity are subject to the Confidentiality Agreement that you previously executed with the TSN Debtors.

On behalf of the TSN Debtors, we would like to thank you for your interest in this opportunity.

Sincerely,

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