LIQUIDATION ANALYSIS

I. Introduction

Section 1129(a)(7) of the Bankruptcy Code[1] requires that each holder of an impaired Allowed Claim or interest either (i) accepts the Plan or (ii) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtors[2] were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan. To demonstrate that the Plan satisfies this standard, the Debtors, in consultation with their legal and financial advisors, have prepared the Liquidation Analysis under a hypothetical liquidation under Chapter 7 (a "Liquidation") that a) estimates the realizable value of the Liquidating Debtors, and b) estimates the distribution to creditors resulting from the Liquidation.

The Liquidation Analysis is based on a number of estimates and assumptions that are inherently subject to significant economic, competitive and operational uncertainties and contingencies that are beyond the control of the trustee under Chapter 7. Further, the actual amounts of claims against the Liquidating Debtors' estates could vary materially from the estimates set forth in the Liquidation Analysis, depending on, among other things, the claims asserted during the liquidation proceedings under Chapter 7. Accordingly, while the information contained in the Liquidation Analysis is necessarily presented with numerical specificity, the Debtors cannot assure you that the values assumed would be realized or the claims levels assumed would not change if the Liquidating Debtors were in fact liquidated, nor can assurance be made that the Bankruptcy Court would accept this analysis or concur with these assumptions in making its determination under section 1129(a) of the Bankruptcy Code.

The following provides a general summary of the assumptions used in the Liquidation Analysis. In addition, the Notes to the Liquidation Analysis discuss more specific assumptions, and the Liquidation Analysis should be read in conjunction with the Notes.

II. General Assumptions

The Liquidation Analysis assumes the conversion of the Debtors' Chapter 11 Cases to chapter 7 liquidation cases on March 31, 2011 (the "Conversion Date"). On the Conversion Date, it is assumed that the Bankruptcy Court would appoint one chapter 7 trustee (the "Trustee") to oversee the liquidation of the Estates. The liquidation is assumed to take six months to complete (the "Liquidation Period").

The Liquidation Analysis includes expenses expected to be incurred during the Liquidation Period, including those related to trustee fees, receiver fees, legal fees and other professional fees and operating / wind-down expenses as applicable to

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[1] Capitalized terms used and not defined herein shall have the meanings ascribed to them in the Disclosure Statement or the Plan, as applicable.
[2] All references to the "Debtors" shall mean the "TSN Debtors".

each of the Liquidating Debtors.

III. Methodology

A forced sale analysis of the business as a going concern was used to estimate the approximate liquidation range of value for the TSN Debtors' assets. To facilitate this transaction, Secured creditors are assumed to credit-bid their claims estimated at an amount that would be just greater than a third-party would be willing to pay (subject to a maximum credit-bid of their claim amount of $1.1bn [(1)] at the Conversion Date for the TSN Debtors' assets). The TSN Debtors believe that the assets have the highest potential recovery value under this scenario, as the risk that the FCC would reclaim the S-band license is lowered if the TSN Debtors can continue as a going concern. To be clear, in any other liquidation scenario (including, without limitation, any scenario in which the FCC reclaimed the license and the TSN Debtors and their creditors were unable to capture the value thereof), liquidation recovery values would be significantly reduced.

Under the approach outlined in the paragraph above, the valuation ultimately decided by the Bankruptcy Court for the assets of DBSD North America ("DBSD") was determined to be the best proxy for the valuation of the TSN Debtors' assets in a forced sale of the business as a going concern. *In re DBSD N. Am., Inc.* et al., Case No. 09-13061 (REG) (Bankr. S.D.N.Y. July 13, 2009). This valuation was then adjusted by adding any liquidation proceeds of TerreStar-2, a ground spare satellite. This adjustment was necessary as DBSD did not own or have access to a ground spare.

The DBSD valuation was determined to be the best proxy for the liquidation value of the TSN Debtors because the assets of the TSN Debtors and DBSD (with the exception of TerreStar-2) are very similar, and the valuation reflects the "failed auction" of DBSD's assets and limited universe of prospective buyers. The TSN Debtors' ownership of TerreStar-2 is assumed to provide incremental value relative to the DBSD valuation.

The Liquidation Analysis assumes that the estimated value of the TerreStar-2 Satellite would be less than the amounts owing under the Purchase Money Credit Agreement and the Debtors' DIP Financing Facility (net of costs associated with liquidation). Thus, any disputes that have been raised over unsecured creditors' entitlement to excess value of TerreStar-2 (after repayment of the Purchase Money Credit Agreement) are not material.

Subject to the qualifications and assumptions stated herein, this Liquidation Analysis estimates gross distributable value less liquidation costs of approximately $607 million to $823 million ("Net Liquidation Proceeds"). The Liquidation Analysis estimates that the Liquidation Proceeds will not be sufficient to pay pre-petition secured claims, chapter 11 administrative and priority claims and DIP Financing claims in full, and therefore there will be no net value available to unsecured creditors in a Liquidation.

[(1)] Estimated as $1.017bn of 15.0% Secured Note Claims and $92 million of PMCA claims.

Liquidation Analysis Summary

Debtors' Assets	Note	Projected Book Value as of 3/31/2011		Estimated Liquidation Value: Low	Estimated Liquidation Value: High
Cash and Cash Equivalents		$ 2			
Inventories, net		5			
Due from TerreStar Global		0			
Deferred Issuance Costs		5			
Other Current Assets		10			
Restricted Cash		0			
Property & Equipment, Net		747			
TerreStar-2	A	275			
Intangible Assets		1			
Gross Estimated Liquidation Proceeds Available for Distribution		**$ 1,045**		**$ 635** [1]	**$ 858** [1]
Costs Associated with Liquidation:	B				
Payroll and Overhead Costs				$ (7)	$ (7)
Chapter 7 Trustee Fees				(19)	(26)
Chapter 7 Professional Fees				(2)	(2)
Net Estimated Liquidation Proceeds Available for Distribution				**$ 607**	**$ 823**

Distribution Summary	Note	Estimated Allowable Claims	Low	High
Chapter 11 Claims				
Carve Out for Professional Fees				
Carve Out for Professional Fees	C	$ 1	$ 1	$ 1
Hypothetical Recovery to Holders of Claims Satisfied by the Carve Out			100%	100%
Proceeds Available After Distributions on Account of the Carve Out			$ 606	$ 822
DIP Claims [2]	D			
DIP Facility		$ 75	$ 39	$ 61
Hypothetical Recovery to Holders of DIP Claims			52%	81%
Proceeds Available After Distributions on Account of DIP Claims			$ 566	$ 761
Pre-Petition Claims				
Secured Claims	E			
PMCA Credit Facility		$ 92	$ 92	$ 92
Hypothetical Recovery to Holders of PMCA Claims			100%	100%
Proceeds Available After Distributions on Account of PMCA Claims			$ 475	$ 669
15.0% Secured Notes		$ 1,017	$ 475	$ 669
Hypothetical Recovery to Holders of Secured Claims			47%	66%
Proceeds Available After Distributions on Account of 15.0% Secured Notes			$ -	$ -
Unsecured Claims	F			
Admin. Claims, Priority Tax Claims, and Other Priority Claims		N/A	$ -	$ -
Hypothetical Recovery to Holders of Admin. Claims, Priority Tax Claims, and Other Priority Claims			0%	0%
Proceeds Available After Distributions on Account of Admin. Claims, Priority Tax Claims, and Other Priority Claims			$ -	$ -
General Unsecured Claims	G	N/A	$ -	$ -
Hypothetical Recovery to Holders of General Unsecured Claims			0%	0%
Proceeds Available After Distributions on Account of General Unsecured Claims			$ -	$ -

(1) In the low case, includes $135 million of TerreStar-2 value and $500 million of value attributable to all other assets. In the high case, includes $158 million of TerreStar-2 value and $700 million of value attributable to all other assets.

(2) DIP Facility not assumed to receive 100% recovery due to its junior lien position relative to the PMCA with respect to TerreStar-2.

Footnotes to Liquidation Analysis

Note A – TerreStar-2

The book value of the work in progress on the TerreStar-2 satellite is added to the DBSD valuation range of $492 million to $692 million as the DBSD North America valuation did not include the liquidation proceeds of a second satellite. On August 17, 2010, Duff & Phelps, LLC ("D&P") was engaged to perform an appraisal of the TerreStar-2 satellite. D&P determined the appraisal value of TerreStar-2 to range from $185 million to $210 million. The liquidation value of TerreStar-2 is estimated to be $135 million to $158 million, based on a 25% discount to the D&P appraisal value range.

For purposes of the Liquidation Analysis, it was assumed that the proceeds of the TerreStar-2 liquidation would be applied first to the PMCA claims, then to the DIP Financing claims (the DIP Financing Facility has a lien that is junior to any liens held by the holders of the PMCA Credit Facility and the 15.0% Secured Notes).

Note B - Costs Associated with Liquidation

Chapter 7 trustee fees include those fees associated with the appointment of a Chapter 7 trustee in accordance with section 326 of the Bankruptcy Code. Trustee fees are estimated based on the requirements of the Bankruptcy Code and historical experience in other similar cases and are calculated at 3% of the Debtors' total liquidation value.

Other necessary liquidation / wind-down costs for the disposition of assets are estimated to include occupancy expenses such as rent, utilities, property taxes and building insurance and operating expenses such as telephone, supply, security and maintenance expenses. In addition, wind-down costs include severance and on-site management expenses required to close facilities, disassemble equipment and to prepare assets for sale. Such costs are approximated at $7 million over the six month period.

Fees for professionals (legal, investment banking, appraisal, brokerage, and accounting) to assist the Liquidating Debtors and the trustee under Chapter 7 with the liquidating process are assumed to start at approximately $500,000 per month gradually declining to $250,000 per month during the six month period.

Note C – Carve Out for Professional Fees

The amount of the Carve Out for accrued and unpaid professional fees and disbursements at March 31, 2011 is estimated to be approximately $1.0 million.

Note D – DIP Claims

For purposes of the Liquidation Analysis, the estimated amount outstanding under the DIP Financing Facility as of March 31, 2011 is approximately $75 million including accrued interest. DIP Financing Facility claims are assumed to be paid off, to the extent remaining proceeds are available, with cash from the proceeds of the liquidation of TerreStar-2, on which the DIP Financing Facility has a lien that is junior to any liens held by the holders of the PMCA Credit Facility and the 15% Senior Secured Notes.

Note E –Secured Claims

For purposes of the Liquidation Analysis, we have assumed that Secured Claims will consist primarily of the claims associated with the Purchase Money Credit Agreement and the 15.0% Secured Notes, with accreted balances of approximately $92 million and $1,017 million, respectively as of the assumed liquidation date of March 31, 2011.

Note F – Administrative Claims, Priority Tax Claims, Other Priority Claims, Chapter 11 Post-petition Accounts Payable, and Accrued Liabilities

Administrative Claims, Priority Tax Claims, Other Priority Claims, Chapter 11 Post-Petition Accounts Payable, and Accrued Liabilities include unpaid post-petition operating expenses of the Debtors' Estates as projected at March 31, 2011. Administrative Claims are assumed to be paid on a pro rata basis from the net proceeds, if any, remaining after the payment of and distributions on account of liquidation costs, the Carve Out and Secured Claims. Priority Tax Claims are assumed to be paid on a pro rata basis from the net proceeds available, if any, after the payment of and distributions on account of liquidation costs, the Carve Out, Secured Claims and Administrative Claims. Other Priority Claims, Chapter 11 Post-Petition Accounts Payable, and Accrued Liabilities would be paid in the priority as set forth in the Bankruptcy Code. In light of the fact that no net liquidation proceeds are available to be distributed to holders of these claims, no estimate is given.

Note G – General Unsecured Claims

For purposes of the Liquidation Analysis, the Debtors' management has assumed that unsecured claims will consist of estimated General Unsecured Claims and Convenience Class Claims as defined in the Plan. It should be noted that the Liquidation Analysis does not attempt to estimate potential additional General Unsecured Claims that would likely arise as a result of the rejection of remaining executory contracts and unexpired leases or the failure of the Debtors to perform under existing contracts with their suppliers. Such additional claims would likely result from a cessation of operations as contemplated in a chapter 7 liquidation and would likely be substantial in amount. Additionally, potential litigation claims have not been included. General Unsecured Claims are assumed to be paid on a pro rata basis from the net liquidation proceeds available, if any, after distributions on account of all other Claims. In light of the fact that no net liquidation proceeds are available to be distributed to holders of General Unsecured Claims, no estimate is given.