

TerreStar Networks Inc.
Summary of Principal Terms and Conditions for Rights Offering

<i>Issuer:</i>	TerreStar Networks Inc., as reorganized pursuant to its plan of reorganization (the “ <u>Plan</u> ”) confirmed in connection with its voluntary petition under Chapter 11 of the Bankruptcy Code.
<i>Total Capital Raise:</i>	\$125 million.
<i>Rights Offering:</i>	The Issuer will conduct a rights offering (the “ <u>Rights Offering</u> ”) for shares of Preferred Stock (as defined below) having an aggregate initial purchase price of \$93.75 million. In connection with the Rights Offering, (a) each holder of an allowed 15% Senior Secured PIK Notes Claim will receive its pro rata share (based on such holder’s proportionate ownership of the 15% Senior Secured PIK Notes) of rights (the “ <u>Rights</u> ”) to purchase 97% of the Preferred Stock issued in connection with the Rights Offering, and (b) each holder of an Exchangeable PIK Notes Claim or an Other Unsecured Claim will receive a share (in proportions to be determined) of Rights to purchase 3% of the Preferred Stock issued in connection with the Rights Offering.
<i>Transferability of the Rights:</i>	The Rights will only be transferable in connection with a transfer of the related underlying claim, but will not otherwise be subject to any restrictions on transfer.
<i>Backstop Parties:</i>	<p>The investors listed on <u>Schedule A</u> attached hereto.¹</p> <p>Any holder of 15% Senior Secured PIK Notes will have the right to provide their pro rata share (based on their ownership of such Notes) of a backstop of the Rights Offering \$93.75 million.</p>
<i>Backstop:</i>	The Backstop Parties will commit to (i) participate in the Rights Offering by purchasing the shares of Preferred Stock they are entitled to purchase pursuant to the Rights they receive, and (ii) purchase all of the shares of Preferred Stock offered in the Rights Offering to which the holders of Rights do not

¹ I.e., the members of the ad hoc group of holders of the 15% Senior Secured PIK Notes.

subscribe.

Commitment Terms:

The percentage commitment (the “Percentage Commitment”) of each Backstop Party is set forth opposite its name on Schedule A attached hereto. Such Percentage Commitments will be adjusted as necessary to accommodate any reallocation of the backstop as contemplated by the “Backstop Parties” paragraph.

Commitment Fees:

Each Backstop Party will receive its proportionate share (based on its Percentage Commitment) of a commitment fee equal to \$2.34 million. Each person participating in the direct purchase described below will receive its proportionate share (based on the shares purchased in such direct purchase) of a commitment fee equal to \$0.785 million. All such fees will be payable in shares of Preferred Stock (which will be in addition to the \$125 million of Preferred Stock otherwise issued).

Direct Purchase:

In addition to their purchase of shares of Preferred Stock in the Rights Offering and/or pursuant to the backstop thereof, the investors listed on Schedule A attached hereto (but only such investors) will purchase an additional \$31.25 million of shares of Preferred Stock, at the same price per share as is paid pursuant to the Rights Offering.

Overallotment:

None.

Preferred Stock:

Newly-issued shares of the Issuer’s Series A Preferred Stock, par value \$[____] per share (the “Preferred Stock”).

Per Share Price:

\$[_____].

Dividends:

The Preferred Stock will participate in any dividends or distributions paid by the Issuer with respect to its Common Stock, par value \$[____] per share (the “Common Stock”) on an as-if-converted basis.

Liquidation Preference:

Upon any voluntary or involuntary liquidation, dissolution, or winding up of the Issuer, each holder of Preferred Stock will receive and be paid, prior to any distributions to any other capital stock of the Issuer, a

liquidation preference per share in cash equal to the greater of, (i) 1.55 times the Per Share Price, and (ii) the amount that such holder would be entitled to receive in such liquidation in respect of the Common Stock into which a share of Preferred Stock is then convertible.

Any merger, recapitalization, reorganization or other transaction or series of related transactions which results in a change in control of the Issuer will be deemed to be a liquidation of the Issuer.

Conversion:

Each holder of shares of Preferred Stock will have the option, at any time and from time to time, to convert all or any portion of such shares of Preferred Stock into a number of shares of Common Stock equal to (i) (A) the number of shares of Preferred Stock to be converted, multiplied by (B) the Per Share Price, divided by (ii) the then-effective Conversion Price (as defined below).

All outstanding shares of Preferred Stock will automatically convert into shares of Common Stock at the Conversion Price then in effect upon the occurrence of the Issuer's IPO.

Conversion Price:

The initial Conversion Price will be determined on the basis of the equity value of the Issuer which results from an enterprise value for the Issuer of \$682.5 million.² The Conversion Price will subsequently be subject to adjustment as set forth herein.

Anti-Dilution:

In the event of any stock split, stock dividend, stock combination, reorganization, recapitalization, merger, consolidation, or other similar transaction, there will be a proportionate adjustment to the Conversion Price then in effect and the securities into which the Preferred Stock is convertible, to the extent necessary to prevent dilution of the Preferred Stock's conversion rights.

Board of Directors:

The Issuer's Board of Directors (the "Board") will at all times consist of 11 members. At least 5 members of the Board must be Independent Directors at all times. Prior to the Issuer's IPO, only holders of

² I.e., a 35% discount to an enterprise value of \$1,050 million.

Preferred Stock will be entitled to vote for the election of members of the Board.

The initial composition of the Board will be determined as follows. Any holder of Preferred Stock may nominate for election to the Board up to (and not more than) 6 individuals. The initial members of the Board will be elected by plurality vote from all of the individuals nominated by the holders of Preferred Stock.

Following the election of the initial Board, the Board will form a Nominating Committee, all of the members of which must be Independent Directors (as defined below). In the event of any vacancy on the Board formerly held by an Independent Director, the Nominating Committee will have the irrevocable power to fill any such vacancy with another Independent Director.

Independent Directors will be entitled to pro rata representation on all committees of the Board. The board of directors (or other equivalent governing body) of each subsidiary of the Issuer will have the same composition as the Board, except to the extent required otherwise by applicable law.

Any member of the Board may share Board information with her or her employer and any of its affiliates, so long as such employer and such affiliates agree to keep such information confidential, and to not use such information for any purpose, pursuant to a customary confidentiality agreement.

Independent Directors:

To qualify as an Independent Director, an individual must not be an officer, director, or employee of, or otherwise have a material economic interest in or business relationship with, (a) the Issuer or any of its affiliates, or (b) any person who holds more than 25% of the outstanding Common Stock (determined on an as-if-converted basis) or any affiliate of any such person (the persons in (a) and (b) are “Restricted Parties”).

Voting:

Except as otherwise set forth herein, the Preferred Stock and the Common Stock will vote together on all matters as a single class on an as-if-converted basis.

Negative Covenants:

The Issuer will not, and will not permit any of its subsidiaries to, take any of the following actions without the prior written consent of the holders of at least 80% of the outstanding shares of Preferred Stock, voting as a separate class:

- (i) Any entry into, or modification or amendment of, any contract, arrangement, or transaction with any Restricted Party, other than contracts, transactions, or arrangements (A) among the Issuer and its wholly-owned subsidiaries, or (B) entered into by the Issuer and/or its subsidiaries in the ordinary course of their respective businesses and which are below a to-be-determined materiality threshold;
- (ii) Any amendment or modification (including by way of a merger) to the Issuer's or any of its subsidiaries' certificate of incorporation or by-laws (or equivalent governing documents) which would (A) alter the rights, preferences, or privileges of the Preferred Stock, (B) increase or decrease the authorized number of shares of Preferred Stock, or (C) authorize or create any new capital stock or equity securities senior to or pari passu with the Preferred Stock; or
- (iii) Any change in the size or composition of the Board or of the board of directors (or equivalent governing body) of any subsidiary of the Issuer which is inconsistent with the Board of Directors provisions above.

The Issuer will not, and will not permit any of its subsidiaries to, take any of the following actions without the approval of (i) a majority of the Board, and (ii) at least 3 Independent Directors:

- (i) Any entry into, or modification or amendment of, any contract, arrangement, or transaction with any Restricted Party, other than contracts, transactions, or arrangements among the Issuer and its wholly-owned subsidiaries;
- (ii) Any merger, recapitalization, or reorganization involving the Issuer or any of its subsidiaries, including any transaction that would be deemed to be a liquidation of the Issuer pursuant to the Liquidation Preference provisions above, but excluding any merger of a wholly-owned subsidiary of the Issuer

with another wholly-owned subsidiary;

(iii) Any voluntary or involuntary liquidation, dissolution or winding up of the Issuer or any of its subsidiaries;

(iv) Undertaking, or failing to oppose, any bankruptcy or other insolvency event;

(v) Any entry into any line of business which is unrelated to the businesses conducted by the Issuer and its subsidiaries as of the consummation of the Plan; or

(vi) Any adoption of any annual operating or capital expenditures budget, or any material deviations therefrom.

The foregoing covenants will terminate upon the Issuer's IPO.

Registration Rights:

At any time and from time to time, (i) after the consummation of the Issuer's initial public offering, or (ii) after the date that is [6 months] following consummation of the Plan, persons who hold at least 20% of the Preferred Stock will have the right to require the Issuer to register an offering (whether or not underwritten) of all or any portion of their Registrable Securities. In connection with any such demand registration (whether or not underwritten), the Issuer will use its reasonable best efforts to list its shares on the NYSE or Nasdaq. As part of any such demand registration that constitutes the Issuer's IPO, the initiating holders will have the right to require the Issuer to register that number of shares as is required for a successful underwritten offering.

In addition to the above rights, at any time after the date on which the Issuer is eligible to register securities on Form S-3, any holder of Registrable Securities will have the right to require the Issuer to register an offering (whether or not underwritten) of all or any portion of its Registrable Securities, subject to a mutually acceptable size requirement. Any such registration may take the form of a shelf registration. The Issuer will use its reasonable best efforts to qualify to register securities on Form S-3 as soon as allowed by applicable law.

Each holder of Registrable Securities will have the

right to participate in any registration by the Issuer of any Registrable Securities (whether effected pursuant to a demand registration described above or otherwise) on a pro rata basis. Cutbacks, to the extent required, will be applied to holders of Registrable Securities only on a pro rata basis.

“Registrable Securities” means (i) shares of Common Stock received or receivable in connection with the conversion of any Preferred Stock, and (ii) any other shares of Common Stock received by a holder thereof pursuant to the Plan.

Tag-Along Rights:

Prior to the Issuer’s IPO, in the event of any sale or transfer of any Preferred Stock or Common Stock by any person who holds more than 25% of the outstanding Common Stock (determined on an as-if-converted basis), or any affiliate of any such person, each other holder of Preferred Stock or Common Stock will have the right to participate in such sale or transfer on a pro rata basis with respect to the Preferred Stock or Common Stock, as applicable, held by it.

Standstill

After consummation of the Plan and until the 3rd anniversary of the Issuer’s IPO, no person may acquire any capital stock or equity securities (or warrants, options, convertible or exchangeable securities, or other rights to acquire capital stock or equity securities) of the Issuer or any of its subsidiaries such that, following such acquisition, such person (together with its affiliates) would hold shares of Common Stock (determined on an as-if-converted basis) in an amount greater than 25% of the outstanding Common Stock (determined on an as-if-converted basis). The foregoing restrictions will not apply to (i) a pro rata exercise of Preemptive Rights as described below, or (ii) pursuant to a tender offer or other similar transaction (A) in which all of the Issuer’s stockholders are given the right to sell all of their Preferred Stock and Common Stock on a pro rata basis for cash, and (B) the closing of which is conditioned upon the purchaser acquiring such number of shares of Preferred Stock and Common Stock that it would own at least 90% of the outstanding shares of Common Stock (on an as-if-

converted basis).

In addition, from and after consummation of the Plan the Issuer will be subject to the provisions of Section 203 of the Delaware General Corporation Law.

Preemptive Rights:

Each holder of Preferred Stock will have the right to purchase its pro rata share (determined on an as-if-converted basis) of any future issuances of capital stock or equity securities (or warrants, options, convertible or exchangeable securities, or other rights to acquire capital stock or equity securities) by the Issuer or any of its subsidiaries on the same terms as are offered to third parties, in each case subject to customary and to-be-determined exceptions.

Restrictions on Transfer:

None on the Preferred Stock, any of the Common Stock received upon conversion thereof, or any Common Stock issued pursuant to the Plan, other than compliance with the other provisions of this term sheet. All rights of a holder of Preferred Stock will be transferable without condition or limitation in connection with any transfer of the underlying shares of Preferred Stock.

Access Rights:

Until the Issuer's IPO, each holder of Preferred Stock who owns more than a to-be-determined minimum number of shares will have the right, at reasonable times and upon reasonable advance notice, to inspect the facilities, books and records, employees, and outside auditors of the Issuer and its subsidiaries.

Information Rights:

The Issuer will provide to each holder of Preferred Stock, until the Issuer's IPO:

- (i) within 45 days following the completion of the first three fiscal quarters in a fiscal year, unaudited, consolidated quarterly financial statements of the Issuer and its subsidiaries, prepared in accordance with GAAP;
- (ii) within 90 days following the completion of each fiscal year, audited, consolidated annual financial statements of the Issuer and its subsidiaries, prepared in accordance with GAAP; and
- (iii) promptly following the occurrence thereof, written notice of the occurrence of any event that has

had, or would reasonably be expected to have, a material adverse effect on the Issuer and its subsidiaries.

Until the Issuer's IPO, the Issuer will hold conference calls, in each case no later than 10 days following the release of its quarterly and annual financial statements, which will provide the holders of Preferred Stock the opportunity to discuss such financial statements and other matters with the Issuer's senior management.

Without limiting the generality of the foregoing, from and after consummation of the Plan and until the Issuer's IPO, the Issuer will use its reasonable best efforts to make Rule 144(c) and 144A information available to the holders of Preferred Stock. In addition, the Issuer will use its reasonable best efforts to comply with the provisions of Section 404 of the Sarbanes-Oxley Act within 1 year following consummation of the Plan, and will provide all related reports of its independent auditors in connection therewith to the holders of Preferred Stock.

Facilitation of Trading:

The Issuer will use its reasonable best efforts to make its Preferred Stock and Common Stock DTC eligible and eligible for trading on the Portal Market promptly following consummation of the Plan.

The Issuer will never impose any blackout period in any fiscal quarter in excess of [_____] days.

Documentation:

The provisions of this term sheet will be implemented in a certificate of incorporation, by-laws, stockholders' agreement, and registration rights agreement, in each case which will contain terms, conditions, and exclusions consistent with this term sheet and other customary and to-be determined terms, conditions, and exclusions. No person may exercise any Rights without agreeing to be bound by all of such documentation.

Schedule A

<u>Investor</u>	<u>Percentage Commitment</u>