

Court File No.: CV-10-8944-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**APPLICATION OF TERRESTAR NETWORKS INC.  
UNDER SECTION 46 OF  
THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**SUPPLEMENT TO THE THIRD REPORT OF THE  
INFORMATION OFFICER, DELOITTE & TOUCHE INC.**

**DECEMBER 23, 2010**

## INTRODUCTION

1. Deloitte & Touche Inc. ("Deloitte"), as Information Officer, has provided this Court with a third report of the Information Officer, dated December 22, 2010 (the "Third Report"),<sup>1</sup> to provide this Court with information relating to certain orders sought by the Debtors in the U.S. Bankruptcy Proceeding, on certain amendments made to the Plan and Disclosure Statement, and with an overview of the Debtors' formal marketing process for an Alternative Transaction. A copy of the Third Report will be available on the Information Officer's website at: [www.deloitte.com/ca/terrestar-networks](http://www.deloitte.com/ca/terrestar-networks).
2. In preparing this supplement to the Third Report (the "Supplemental Report"), Deloitte has relied solely on the information and documents supplied by the Foreign Representative and its counsel and/or documents publicly available on the docket of the U.S. Bankruptcy Proceeding. Copies of all materials filed in the U.S. Bankruptcy Proceeding are available at the Debtors' claims and noticing agent's website: [www.terrestarinfo.com](http://www.terrestarinfo.com). Deloitte has not audited, reviewed or otherwise attempted to independently verify the accuracy or completeness of the information contained in the materials supplied by the Foreign Representative and its counsel or materials filed in the U.S. Bankruptcy Proceeding, and which information is reflected in this Supplemental Report. Accordingly, Deloitte expresses no opinion or other form of assurance on the information contained herein.

## PURPOSE

3. As discussed in the Third Report, a hearing on the Debtors' requests for the U.S. Orders was held before the Bankruptcy Court on December 22, 2010. The purpose of this Supplemental Report is to provide this Court with (i) an update on this hearing and the Bankruptcy Court's approval of revised forms of the U.S.

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<sup>1</sup> Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to such terms in the Third Report of the Information Officer, dated December 22, 2010.

Orders, and (ii) the Information Officer's recommendation as to the Foreign Representative's request for the Order.

#### **DECEMBER 22, 2010 BANKRUPTCY COURT HEARING AND APPROVAL OF U.S. ORDERS**

4. Prior to the December 22, 2010 hearing, the Debtors and Echostar reached a settlement (the "Settlement") with certain of the stakeholders regarding such stakeholders' outstanding objections to the Debtors' request for the Backstop Agreement Order and the Disclosure Statement Order. Specifically, the Debtors, Echostar, the Committee, and the Ad Hoc Group agreed to the points detailed below (and which points were read into the record at the December 22, 2010 hearing), pursuant to which the Committee and the Ad Hoc Group agreed to withdraw their objections to the Debtors' request for the Disclosure Statement Order and the Backstop Agreement Order and to support the entries of such orders as revised.
5. Other stakeholders also indicated their support for the Settlement and the corresponding changes to the Disclosure Statement and Backstop Agreement and withdrew their objections. Remaining objections were overruled by the Bankruptcy Court, with the Bankruptcy Court approving the U.S. Orders, which have been entered on the docket of the U.S. Bankruptcy Proceeding.
6. In connection with its approval of the Solicitation Procedures Order, the Bankruptcy Court overruled Sprint's objection, with Sprint and the Debtors agreeing to discuss scheduling issues related to the resolution of Sprint's claim and to submit a timeline to the Bankruptcy Court.
7. Reflective of this Settlement and the Debtors' resolution of other objections, Deloitte understands that revised versions of the Plan and Disclosure Statement have been prepared by the TSN Debtors, and will be filed in the near term. Once available, the Information Officer will post the revised Plan and Disclosure Statement on its website. As discussed in the Third Report, nothing in the U.S.

Orders results in approval of the Plan or its terms by the Bankruptcy Court, and Deloitte understands that all stakeholders have retained their rights to object to confirmation of the Plan notwithstanding the Settlement.

8. The Settlement resulted in corresponding revisions having to be made to the U.S. Orders (and underlying documents, such as the Backstop Agreement). Deloitte understands that counsel to the Foreign Representative will provide this Court with signed copies of the entered U.S. Orders as well as blacklines against the previous forms of orders. The material changes reflective of the Settlement are summarized below (and which changes Deloitte understands will be reflected in the revised Plan and Disclosure Statement):

- a. EchoStar will increase its backstop commitment under the Backstop Agreement from \$100 million to \$125 million;
- b. the Senior Secured Noteholders will have until February 7, 2011 to decide whether they will sign the Backstop Agreement and become backstop parties (which would include such parties agreeing to the Plan support provisions in the Backstop Agreement). The time for entry into the Backstop Agreement was increased from the originally proposed December 31, 2010 in connection with the TSN Debtors' "dual track" efforts to seek out an Alternative Transaction while continuing with prosecution of the Plan;
- c. the milestones under the DIP Facility (the "Milestones") will be amended to provide that the confirmation hearing in the U.S. Bankruptcy Proceeding shall commence no later than March 7, 2011 (with a final order of the Bankruptcy Court required by March 25, 2011). These milestones will also be part of the Backstop Agreement. The Committee agreed not to assert an objection to the Milestones;
- d. no later than February 7, 2011 the Debtors shall (a) file a list of rejected executory contracts and unexpired leases as to any contracts or unexpired

leases with third parties (*i.e.*, parties that are not affiliates of the debtors) and (b) distribute, or cause to be distributed, notices of proposed assumption and proposed amounts of cure claims to the applicable third parties;

- e. no later than February 2, 2011, the Debtors shall file with the Bankruptcy Court the Plan Supplement (which will address corporate governance of the reorganized TSN Debtors, including documents relating to minority rights of shareholders); and
  - f. the Debtors will agree to advertise in a national newspaper the dates contained in the sales process letter on file with the Bankruptcy Court through the Disclosure Statement, which relates to the Debtors' marketing efforts for an Alternative Transaction superior to the Plan. The Debtors will also file a notice on the docket in the U.S. Bankruptcy Proceeding of same, separately.
9. The revised Solicitation Procedures Order contains the relevant dates with respect to the TSN Debtors' Plan process, but Deloitte notes for the Court's reference that at the December 22, 2010 hearing, the Bankruptcy Court scheduled March 4, 2011, for the start of the confirmation hearing. Deloitte understands that the Foreign Representative intends to request this Court's recognition of the confirmation order approving the Plan at the appropriate time.
10. Deloitte understands that revisions to the Plan and the Disclosure Statement will include, among other things, the impairment of Class 6(b) claims against 088 B.C. (previously unimpaired as set forth in the Third Report) and changes to the proposed releases. The Information Officer intends to provide this Court with a further report addressing particular Plan issues at a later date, including in connection with the Foreign Representative's request to have a confirmation order recognized.

**RECOMMENDATION OF THE INFORMATION OFFICER WITH RESPECT  
TO THE RECOGNITION OF THE U.S. ORDERS**

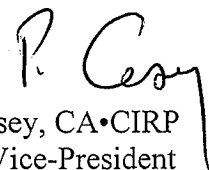
11. Based on the foregoing and its Third Report, and its review of the Foreign Representative's motion materials, the Information Officer recommends that this Court recognize the U.S. Orders as Deloitte understands these orders: (i) were granted by the Bankruptcy Court after lengthy hearings on the matters in which all parties in interest had an opportunity to be heard, and pursuant to which the Settlement with many of the major stakeholders was achieved; (ii) are related to the TSN Debtors' restructuring efforts, efforts to maximize the value of their estates, and the Plan process; and (iii) are believed by the Debtors to be necessary for the protection of the Debtors' property and the interests of the Debtors' estate and appropriate.

All of which is respectfully submitted at Toronto, Ontario, this 23rd day of December, 2010.

**DELOITTE & TOUCHE INC.**  
(solely in its capacity as Information Officer)



Per:  
Pierre Laporte, CA•CIRP  
President

Per:   
Paul Casey, CA•CIRP  
Senior Vice-President

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