

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**

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

DECEMBER 22, 2010

INTRODUCTION

1. On October 19, 2010 (the “Petition Date”), TerreStar Networks Inc. (“TSNI”), Motient Holdings Inc., Motient Communications Inc., Motient License Inc., Motient Services Inc., MVH Holdings Inc., Motient Ventures Holding Inc., TerreStar National Services Inc., TerreStar License Inc., TerreStar New York Inc., 0887729 B.C. Ltd. (“088 B.C.”), TerreStar Networks Holdings (Canada) Inc. (“Holdings Canada”) and TerreStar Networks (Canada) Inc. (“TerreStar Canada”) (collectively, the “Debtors”), each filed voluntary petitions under chapter 11 of title 11 of the United States Code (as jointly administered, the “U.S. Bankruptcy Proceeding”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). On October 20, 2010, the Bankruptcy Court entered an order authorizing the joint administration of the U.S. Bankruptcy Proceeding for procedural purposes only.
2. On October 19, 2010, pending approval of TSNI as Foreign Representative (as defined below) by the Bankruptcy Court, the Ontario Superior Court of Justice (Commercial List) (the “Court”) entered an order (the “Interim Initial Order”) granting certain interim relief, including, among other things, a general stay of proceedings against the Debtors.
3. On October 20, 2010, the Bankruptcy Court also entered an order appointing TSNI as the foreign representative of the Debtors (the “Foreign Representative”).
4. On October 21, 2010, the Court entered an Initial Recognition Order and a Supplemental Order (together, the “Initial Recognition Orders”) under Part IV of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”), in respect of the U.S. Bankruptcy Proceeding and certain orders entered therein (the “Recognition Proceeding”).

5. On November 9, 2010, the Court entered an order (the “November 9th Order”), which recognized the following orders entered by the Bankruptcy Court: (a) the Bar Date Order;¹ (b) the Insurance Order; and (c) the Utilities Order.
6. On November 19, 2010, the Court entered an order (the “November 19th Order”), which recognized the following orders entered by the Bankruptcy Court: (a) the U.S. Final DIP Financing Order; (b) the U.S. Final Cash Management Order; and (c) the Taxes Order.
7. On November 26, 2010, the Court entered an order (the “November 26th Order”), which recognized the Restricted Trading Order entered by the Bankruptcy Court.
8. To date, Deloitte & Touche Inc. (“Deloitte”), as Information Officer, has provided this Court with the following reports:
 - a. a pre-Recognition Proceeding report, dated October 20, 2010 (the “Pre-Filing Report”), to provide this Court with information relating to the Debtors’ business and operations, their debt and capital structure, and other matters relevant to the Court’s determination of the Foreign Representative’s request for the Initial Recognition Orders;
 - b. a first report of the Information Officer, dated November 5, 2010 (the “First Report”), to provide this Court with information relating to the Foreign Representative’s request for the November 9th Order; and
 - c. a second report of the Information Officer, dated November 18, 2010 (the “Second Report”), to provide this Court with information relating to the Foreign Representative’s request for the November 19th Order, and to provide this Court with an overview of the Plan and Disclosure Statement relating to the TSN Debtors, which were filed in the U.S. Bankruptcy Proceeding on November 5, 2010.²

¹ Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to such terms in the Pre-Filing Report, the First Report, or the Second Report, as applicable.

² As discussed herein, the TSN Debtors have since filed amended versions of their Plan and Disclosure

Copies of the Pre-Filing Report, First Report, and Second Report are available on the Information Officer's website at: www.deloitte.com/ca/terrestar-networks.

9. In preparing this third report of the Information Officer (the "Third 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. 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 Third Report. Accordingly, Deloitte expresses no opinion or other form of assurance on the information contained herein.

PURPOSE

10. The purpose of this Third Report is to:
 - a. provide this Court with information relating to certain orders sought by the Debtors in the U.S. Bankruptcy Proceeding and the Foreign Representative's request to have such orders (once approved by the Bankruptcy Court) recognized by this Court (the "Order");
 - b. provide this Court with information on certain amendments made to the Plan and Disclosure Statement; and
 - c. provide this Court with an overview of the Debtors' formal marketing process for an alternative transaction superior to that contemplated under the Plan.

Statement. Any reference herein to the "Plan" or "Disclosure Statement" shall be to the TSN Debtors' fourth amended Plan and fourth amended Disclosure Statement, each dated December 17, 2010.

RECOGNITION OF FURTHER BANKRUPTCY COURT ORDERS

11. Deloitte understands that the Debtors are seeking the following orders from the Bankruptcy Court (collectively, the “U.S. Orders”), and that a hearing on these matters is currently scheduled for December 22, 2010 at 11:00 a.m.:
 - a. an order (i) approving TSNI’s entry into a backstop commitment agreement, and (ii) authorizing TSNI’s payment of related fees, expenses, and indemnification (the “Backstop Agreement Order”);
 - b. an order approving (a) the adequacy of the Disclosure Statement, and (b) notice of the hearing to approve the Disclosure Statement (the “Disclosure Statement Order”); and
 - c. an order (a) fixing dates and deadlines related to confirmation of the Plan; (b) approving procedures for soliciting and tabulating the votes on, and for objecting to, the Plan; (c) approving the manner and form of notices and documents related to the Plan; (d) approving rights offering procedures; and (e) authorizing the employment and retention of Epiq Bankruptcy Solutions, LLC, as Subscription Agent (as defined below) (the “Solicitation Procedures Order”).
12. Deloitte understands that the proposed forms of U.S. Orders were attached to the application materials of the Foreign Representative in connection with its request for the Order. The hearing before this Court on the Foreign Representative’s request for the Order is currently scheduled for December 23, 2010 at 2 p.m. To the extent any of the U.S. Orders are approved at the Bankruptcy Court’s December 22, 2010 hearing, Deloitte anticipates filing a supplement to this Third Report to report on any material developments as well as provide its recommendation as to the Foreign Representative’s request for the Order.
13. Given the limited timing between the December 22, 2010 hearing before the Bankruptcy Court and the scheduled hearing on the Order before this Court, to

assist this Court in its determination of the Foreign Representative's request for the Order, the Information Officer has summarized the U.S. Orders below.

(i) Backstop Agreement Order

14. On November 23, 2010, the Debtors filed a motion (the "Backstop Motion") seeking entry of the Backstop Agreement Order, which authorizes TSNI to enter into an equity purchase and commitment agreement with Echostar (the "Original Backstop Agreement"), as contemplated under the Plan, as well as authorizes the payment of certain related fees and expenses, and the granting of an indemnification, to Echostar.
15. Deloitte understands that the hearing on the Backstop Motion was originally scheduled for December 10, 2010 but, that at the request of the Bankruptcy Court, the hearing was adjourned to December 15, 2010, and then adjourned again to December 20, 2010. At the December 20, 2010 hearing on the Backstop Motion, the Bankruptcy Court heard submissions from the Debtors and other stakeholders, and continued the hearing on the matter until December 22, 2010.
16. As described in the Second Report, the Plan contemplates a \$125 million rights offering (the "Rights Offering") of newly issued Series A Preferred Stock (the "New Preferred Stock") of restructured TSNI. The Rights Offering is being made to certain claimholders of the TSN Debtors (collectively, the "Eligible Holders").
17. Deloitte understands that the TSN Debtors and EchoStar agreed to modify the Original Backstop Agreement (as amended, the "Backstop Agreement") to address certain objections made to the Backstop Motion and to clarify certain terms and procedures. The Backstop Agreement provides that:
 - a. any Senior Secured Noteholder may elect to, on a *pro rata* basis according to the amount of its holdings, participate in (each participant, a "Backstopper"): (i) a backstop of the entire \$125 million Rights Offering; (ii) the Overallotment (as defined below); and (iii) the right of first refusal

that may become available with respect to unsubscribed and non-backstopped shares;

- b. each Backstopper shall be entitled to earn a fee equal to 3% of its aggregate purchase commitment (the “Backstop Commitment Fee”);
 - c. no Backstopper is entitled to payment of a Backstop Commitment Fee in the event such Backstopper breaches the Backstop Agreement; and
 - d. the Plan supplement will be filed twenty (20) days prior to the Plan voting deadline.
18. Finally, the Backstop Agreement includes a term sheet of protections for the future minority shareholders of the reorganized TSN Debtors. Deloitte understands that the Debtors believe this term sheet will allow claimants to understand what they are deciding to invest in, should they decide to invest in the Rights Offering, and that the substance of these protections will hopefully entice claimants to be Backstoppers.
19. In order to be a Backstopper, potential Backstoppers will be required to execute the Backstop Agreement on or before December 31, 2010, and agree to the provisions thereof (including the Plan support provisions, which EchoStar had previously agreed to and continues to agree to).
20. Pursuant to the Backstop Agreement, participating Backstoppers will have committed to purchase or backstop up to \$100 million of the New Preferred Stock being offered pursuant to the Rights Offering. The proceeds raised from the Rights Offering will be used to pay off the DIP Facility and to fund the operations of the reorganized TSN Debtors after the effective date of the Plan. Deloitte understands that the TSN Debtors are of the view that without the proceeds contemplated by the Backstop Agreement, they would not be able to conduct the Rights Offering or assure an exit strategy from the U.S. Bankruptcy Proceeding.

21. In consideration for the commitment to backstop the Rights Offering, and pursuant to the Backstop Agreement, the Backstoppers shall be entitled to the Backstop Commitment Fee, which shall be payable in New Preferred Stock. The Backstoppers are also offered the option to purchase up to \$25 million of additional New Preferred Stock at the per share price to be set forth in the Plan (the “Overallotment”).
22. TSNI has agreed to reimburse certain reasonable fees, expenses, disbursements and charges of Eschostar incurred related to the U.S. Bankruptcy Proceeding, the Rights Offering and other related transactions, as stipulated in the Backstop Agreement.
23. Deloitte understands that the Debtors believe the Backstop Commitment Fee, expense reimbursement, indemnification, and Overallotment contemplated under the Backstop Agreement are appropriate given the undertaking and the commitment the Backstoppers will have made in guaranteeing the purchase of \$100 million of New Preferred Stock, and that the Rights Offering is integral to the TSN Debtors’ ability to successfully reorganize pursuant to the Plan.
24. Deloitte understands that the following parties filed objections to the Debtors’ Backstop Motion: (i) Harbinger Capital Partners Master Fund I, LTD. and Credit Distressed Blue Line; (ii) the statutory committee of unsecured creditors appointed in the U.S. Bankruptcy Proceeding (the “Committee”); and (iii) the Ad Hoc Group of Holders of 15% Senior Secured Notes (the “Ad Hoc Group”).
25. The objections to the Backstop Motion focused on, but are not limited to, the following three issues:
 - a. objections regarding the economic terms of the Original Backstop Agreement;
 - b. objections regarding the confirmability of and EchoStar’s alleged control over the Plan; and

- c. objections regarding the timing of the hearing on the Backstop Motion.
26. In connection with its objection, the Ad Hoc Group filed a term sheet for an alternative agreement to the Original Backstop Agreement (the “Alternative Backstop”) as well as a blackline of this alternative agreement against the Original Backstop Agreement. The Ad Hoc Group asserted that its Alternative Backstop was superior to the Original Backstop Agreement.
27. The TSN Debtors filed an omnibus response to the objections (which included the Backstop Agreement) and indicated that they believed many of the Objections (as defined below) are resolved by the Backstop Agreement.
28. As indicated in the omnibus response, Deloitte understands that the TSN Debtors believe that the Ad Hoc Group’s Alternative Backstop is not as favourable as the Backstop Agreement because (i) the Alternative Backstop is uncommitted and unsigned; (ii) it purportedly would come with a proposed “priming” DIP financing, to replace the TSN Debtors’ current “junior” DIP Facility with Echostar; and (iii) it is in an amount insufficient to repay the current EchoStar DIP Facility. Thus, Deloitte understands that the TSN Debtors believe the Ad Hoc Group’s Alternative Backstop provides less of a rights offering to all other stakeholders and more value to its backstoppers than the Backstop Agreement.
29. As noted, the hearing on the Backstop Motion has been continued to December 22, 2010.

(ii) Disclosure Statement Order

30. The Debtors filed their motion requesting entry of the Disclosure Statement Order on November 5, 2010 in the U.S. Bankruptcy Proceeding. A summary of the originally filed Disclosure Statement (as well as the originally filed Plan) was provided in the Second Report. Further, on November 29, 2010, the Debtors filed certain exhibits to the Disclosure Statement (the “Disclosure Statement Exhibits”), certain of which are discussed below.

31. The Disclosure Statement Order approves the Disclosure Statement (including the Disclosure Statement Exhibits) as providing holders of claims entitled to vote on the Plan with “adequate information” and disclosure to make an informed decision as to whether to vote to accept or reject the Plan. The Disclosure Statement Order does not itself result in any approval of the Plan or its terms by the U.S. Bankruptcy Court.
32. The Disclosure Statement Order also approved certain notice and service procedures relating to the scheduling and publication of the hearing on the Disclosure Statement Order. Deloitte understands that the Debtors published the notice relating to the Disclosure Statement hearing in, among other publications, the national edition of *The Globe and Mail* within a week after the filing of the service of the Disclosure Statement notice.
33. The following parties filed objections (the “Objections”) in the U.S. Bankruptcy Proceeding to the Debtors’ motion for the Disclosure Statement Order: (i) Harbinger Capital Partners LLC; (ii) Sprint Nextel Corporation (“Sprint”); (iii) the Committee; (iv) the Ad Hoc Group; (v) Solus Alternative Asset Management LP; and (vi) Deutsche Bank National Trust Company.
34. Among the Objections was an objection filed by Sprint.³ Sprint asserted that it is a creditor of each of the Debtors, including Debtor 088 B.C. (which is not a guarantor the Senior Secured Notes), and objected to the proposed substantive consolidation (as contemplated by the first three amended versions of the Plan, but now removed from the fourth amended version) of the TSN Debtors’ estates. As described in the TSN Debtors’ Reply to Objections (as defined herein), the TSN Debtors dispute Sprint’s assertions, including which Debtors, if any, Sprint may have claims against. Deloitte understands that, in connection with the bar date established in the U.S. Bankruptcy Proceeding, Sprint has filed an unsecured

³ As described in greater detail in the Disclosure Statement, TSNI is a named defendant in a lawsuit commenced by Sprint in the United States District Court for the Eastern District of Virginia, whereby Sprint seeks, among other things, enforcement of certain FCC orders and reimbursement of not less than \$100 million from TSNI. The Sprint litigation remains stayed pending a final decision by the FCC and has also been stayed by the automatic stay upon the commencement of the U.S. Bankruptcy Proceeding.

claim against each of the Debtors in the amount of \$104,194,649.00, and that the resolution of each such claim will be subject to the rules and procedures applicable in the U.S. Bankruptcy Proceeding.

35. On December 8, 2010, the TSN Debtors filed an omnibus response to the Objections (the “Reply to Objections”), as well as a second amended Plan and Disclosure Statement to address many of the issues raised by the Objections.
36. The TSN Debtors subsequently filed a third amended version of the Plan and Disclosure Statement on December 9, 2010, to address additional issues raised by certain stakeholders.
37. The Bankruptcy Court heard submissions with respect to the Debtors’ request for the Disclosure Statement Order, and submissions relating to the Objections thereto, at a hearing on December 10, 2010. At this hearing, the Bankruptcy Court did not grant the order at such time and continued the hearing on the matter until December 21, 2010, which was rescheduled to December 22, 2010 at the hearing on the Backstop Motion.
38. On December 17, 2010, the TSN Debtors filed their fourth amended Plan and Disclosure Statement. The Information Officer will post copies of the fourth amended Plan and Disclosure Statement on its website.

Disclosure Statement Exhibits

39. The Disclosure Statement Exhibits contain a liquidation analysis (the “Liquidation Analysis”), certain financial projections, and a valuation analysis (the “Valuation Analysis”) relating to the Plan of the TSN Debtors.

Liquidation Analysis

40. To demonstrate that the Plan is in the best interests of creditors, the TSN Debtors prepared the Liquidation Analysis to estimate the realizable value of the TSN Debtors’ assets (the “Assets”) and the potential distribution to creditors resulting from a liquidation. The Liquidation Analysis assumes the conversion of the TSN

- Debtors' chapter 11 cases to chapter 7 liquidations under the U.S. Bankruptcy Code on March 31, 2011 and the liquidation is assumed to take six months to complete.
41. The Liquidation Analysis utilizes a forced sale analysis (the "Forced Sale Scenario") of the TSN Debtors' business as a going concern to estimate the approximate liquidation range of value for the Assets. The Liquidation Analysis is based on an assumption that secured creditors would credit-bid their claims and that any such credit-bid would be for an amount greater than any third party would be willing to pay for the Assets. Deloitte understands that the TSN Debtors believe that the Forced Sale Scenario provides the highest potential recovery value for the Assets, as the risk that the FCC would reclaim certain satellite-related licences is lowered if the TSN Debtors continue as a going concern. According to the Liquidation Analysis, any other liquidation scenario would result in significantly reduced recovery values for creditors.
 42. Deloitte understands that the Liquidation Analysis uses the valuation ultimately decided by the Bankruptcy Court for the assets of DBSD North America, Inc. ("DBSD") in *In re DBSD N. Am., Inc.*, Case No. 09-13061 (REG) (Bankr. S.D.N.Y. July 13, 2009) as the most relevant proxy for the valuation of the TSN Debtors' Assets in a forced sale as a going concern. Deloitte understands that the DBSD valuation was determined by the TSN Debtors to be the best proxy for the liquidation value of the TSN Debtors because their Assets and those of DBSD (with the exception of TerreStar-2) are very similar, and the valuation reflects the "failed auction" of DBSD's assets and a limited number of prospective buyers. The TSN Debtors' valuation was adjusted by adding the liquidation proceeds of TerreStar-2, the ground spare satellite, as DBSD did not own a ground spare satellite.
 43. The Liquidation Analysis also 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 DIP Facility, thus any disputes over the entitlements of unsecured creditors to excess value of TerreStar-2 are likely not relevant.

44. Subject to the qualifications and assumptions of the Liquidation Analysis, the TSN Debtors estimate that a liquidation scenario under chapter 7 would result in a gross distributable value less liquidation costs (the “Gross Distributable Value”) of approximately \$607 million to \$823 million. The TSN Debtors estimate that the Gross Distributable Value would not be sufficient to pay pre-petition secured claims, chapter 11 administrative and priority claims, and DIP Facility claims in full and, thus, that there would be no net value available for distribution to unsecured creditors.

Valuation Analysis

45. The TSN Debtors and their financial advisors, Blackstone Advisory Partners, L.P. (“Blackstone”), have prepared a valuation of the reorganized TSN Debtors, as a going concern post emergence from the U.S. Bankruptcy Proceeding. The reorganization value (the “Reorganization Value”) of the TSN Debtors after implementation of the Plan is estimated to range from \$1.07 billion to \$1.37 billion. The valuation methodologies used by Blackstone in preparing the valuation are identified in the Valuation Analysis.
46. The TSN Debtors and Blackstone estimate the distribution value, reflecting the Reorganization Value less the estimated \$91.5 million of PCMA obligations and \$75.3 million DIP Facility obligations, to be in the range of \$905 million to \$1.2 billion, with an approximate midpoint value of \$1.05 billion (the “Distribution Value”).
47. Based on 30,000,000 shares of the reorganized TSN Debtors (inclusive of New Common Stock and New Preferred Stock (as defined in the Plan)), subject to dilution from options and any equity grants in connection with the management incentive plan, for purposes of the Plan, the New Common Stock will have an estimated value of \$34.94 per share.

(iii) Solicitation Procedures Order

48. The Solicitation Procedures Order approves certain procedures related to the Plan solicitation and voting processes, as well as other aspects of the Plan process, such as notices, voting tabulation, Rights Offering participation procedures, and scheduling matters related to Bankruptcy Court approval of the Plan.
49. Specifically, the Solicitation Procedures Order approves the following:
- a. dates and deadlines for soliciting votes, voting on and filing objections to the Plan;
 - b. materials to be included in the solicitation packages, including a cover letter, a confirmation hearing notice, ballots, note ballots and master note ballots, the Solicitation Procedures Order and the Disclosure Statement Order;
 - c. non-voting status notices;
 - d. voting and tabulation procedures;
 - e. notice and objection procedures for confirmation of the Plan;
 - f. Rights Offering procedures; and
 - g. the employment and retention of Epiq Bankruptcy Solutions, LLC, as subscription agent (the “Subscription Agent”) for the TSN Debtors.
50. The hearing on the Debtors’ motion for the Solicitation Procedures Order has also been continued to December 22, 2010.

AMENDMENTS TO PLAN AND DISCLOSURE STATEMENT

51. As discussed above, on November 5, 2010, the TSN Debtors filed their original Disclosure Statement and Plan, descriptions of which were contained in the Second Report. On December 2, 2010, the TSN Debtors filed an amended Disclosure Statement and an accompanying first amended Plan. To address many of the disclosure issues and other objections raised in the Objections, the Debtors filed a second amended Plan and Disclosure Statement on December 8, 2010, a third amended Plan and Disclosure Statement on December 9, 2010, and a fourth amended Plan and Disclosure Statement on December 17, 2010.
52. The fourth amended Plan and Disclosure Statement are available on the Debtors' claim and noticing agent's website at: <http://www.terrestarinfo.com/index.php> and will be available on the Information Officer's website at: <http://www.deloitte.com/ca/terrestar-networks>.
53. In general, the amended Plan and Disclosure Statement provide additional information around some of the issues raised by certain objecting parties. In addition, certain modifications were made to the Plan, including but not limited to:
- a. removal of the contemplated consolidation of the TSN Debtors' estates for voting and distribution purposes;
 - b. a clarification that holders of Allowed Other Unsecured Claims of the TSN Debtors have claims that are different from the holders of the Senior Exchangeable Notes Claims;
 - c. a modification whereby instead of granting holders of Allowed Other Unsecured Claims rights to participate in the Rights Offering, the TSN Debtors instead would distribute to such holders additional common stock equal to the value of the Rights they otherwise would have received. In order to ensure that the TSN Debtors would still be conducting a \$125

million Rights Offering, Rights that had previously been given to holders of Allowed Other Unsecured Claims were re-allocated to holders of Claims in Classes 3 and 5, on a pro rata basis;

- d. the updated summary of the status, voting rights, and Plan treatment for the various Classes is set out in the following table:⁴

Class	Name of Class	Status	Voting Rights	Plan Treatment
1	Other Priority Claims	Unimpaired	No (deemed to accept)	Cash in full for Allowed Other Priority Claims except if the holder has been paid in part or in whole or agrees to a less favorable treatment.
2	Other Secured Claims	Unimpaired	No (deemed to accept)	Allowed Other Secured Claims shall be reinstated and unimpaired or receive, at the discretion of the Debtors, either (i) cash in full amount, (ii) proceeds of the sale of the collateral securing such Allowed Other Secured Claim to the extent of the value of the holder's secured interest, (iii) return of the collateral securing the Allowed Other Secured Claim, or (iv) other distribution as necessary under the U.S. Bankruptcy Code.
3	Senior Secured Notes Claims	Impaired	Yes	Distribution to be made to holders of Class 3 Claims by each TSN Debtor other

⁴ Capitalized terms used in this summary but not otherwise defined shall have the meanings ascribed to such terms in the Plan.

Class	Name of Class	Status	Voting Rights	Plan Treatment
				than 088. Pro Rata share of (i) 97% of the New Common Stock subject to any dilution (in no event more than 0.20%) on account of distribution of New Common Stock to Class 6(a) issued in lieu of any Rights they would be entitled to, and (ii) rights to purchase 98.98% of the Rights Offering Preferred Stock. Record Date to be established by TSNI and approved by the Bankruptcy Court (the “ <u>Subscription Record Date</u> ”).
4	PMCA Claims	Unimpaired	No (deemed to accept)	PMCA Claims will be reinstated.
5	Senior Exchangeable Notes Claims	Impaired	Yes	Receive its Pro Rata share of (i) at least 1% but no more than 3% of the New Common Stock subject to any dilution (in no event more than 0.20%) on account of distribution of New Common Stock to Class 6(a) issued in lieu of any Rights they would be entitled to, and (ii) Rights to purchase 1.02% of the Rights Offering Preferred Stock. Subscription Record Date to be established.
6 (a)	Other Unsecured Claims against	Impaired	Yes	Receive its Pro rata share, unless holder made a Convenience Class

Class	Name of Class	Status	Voting Rights	Plan Treatment
	TSN			Election ⁵ , of (i) 2.22% of the New Common Stock (of which no more than 0.22% shall be issued in lieu of Rights). The exact percentage and number of shares of New Common Stock to be distributed will be determined after resolution of Other Unsecured Claims against TSN.
6 (b)	Other Unsecured Claims against 088	Unimpaired	No (deemed to accept)	Receive its Pro rata share, unless holder made a Convenience Class Election ⁶ , of Cash or New Common Stock having a total value equal to the lesser of: (i) the aggregate amount of Allowed Other Unsecured Claims against 088; and (ii) \$38 million.
6 (c)	Other Unsecured Claims against TLI	Impaired	No (deemed to reject)	There shall be no distribution to holders of Other Unsecured Claims against TLI.
6 (d)	Other Unsecured Claims against TSNSI	Impaired	No (deemed to reject)	There shall be no distribution to holders of Other Unsecured Claims against TSNSI.

⁵ Each holder of an Allowed Class 6 Claim in an amount over USD\$25,000 may elect to be treated as a holder of a Class 7 Claim by electing to reduce its Class 6 Claim to the amount of USD\$25,000 (the “Convenience Class Election”). Upon any Convenience Class Election, the Class 6 Claim will be reduced to USD\$25,000 and shall no longer be entitled to any other distribution (other than the Class 7 distribution) contemplated by the Plan.

⁶ Each holder of an Allowed Class 6 Claim in an amount over USD\$25,000 may elect to be treated as a holder of a Class 7 Claim by electing to reduce its Class 6 Claim to the amount of USD\$25,000 (the “Convenience Class Election”). Upon any Convenience Class Election, the Class 6 Claim will be reduced to USD\$25,000 and shall no longer be entitled to any other distribution (other than the Class 7 distribution) contemplated by the Plan.

Class	Name of Class	Status	Voting Rights	Plan Treatment
6 (e)	Other Unsecured Claims against TSN (Canada)	Impaired	No (deemed to reject)	There shall be no distribution to holders of Other Unsecured Claims against TSN (Canada).
6 (f)	Other Unsecured Claims against TSN Holdings (Canada)	Impaired	No (deemed to reject)	There shall be no distribution to holders of Other Unsecured Claims against TSN Holdings (Canada).
7	Unsecured Convenience Claims	Impaired	Yes	Receive cash in an amount equal to the lesser of (i) 10% of such holders' Unsecured Convenience Claim, and (ii) such holder's pro rata share of a pool of USD \$500,000 to be established by the Debtors to fund payment to this Class.
8	Senior Secured Notes Deficiency Claims	Impaired	Yes	Pro Rata share of the sum of the distributions to be made to holders of Class 8 Claims by each TSN Debtor other than 088, which in the aggregate shall equal (i) 0% of the New Common Stock subject to any dilution (which in no event will be more than 0%) on account of the distribution of New Common Stock to Class 6(a) issued in lieu of any Rights they would otherwise be entitled to and (ii) Rights to purchase 0% of the Rights Offering Preferred Stock.

Class	Name of Class	Status	Voting Rights	Plan Treatment
9	Equity Interests	Impaired	No (deemed to reject)	Deemed cancelled and there shall be no distribution to holders of Equity Interests.
10	088 Interests	Unimpaired	No (deemed to accept)	The 088 Interests shall be reinstated and holders of the 088 Interests shall retain such 088 Interests, which have a value equal to \$38 million less the amount of the Class 6(b) Distribution.

54. The fourth amended Disclosure Statement includes the following summary table that provides details on the approximately 101 Proof of Claim forms filed against the Debtors (including the Non-TSN Debtors) as of December 12, 2010:⁷

TSN Debtor	Total Number of Claims Asserted	Aggregate Asserted Amount
TerreStar Networks Inc.	65	\$2,001,955,266.38
TerreStar National Services Inc.	4	\$1,170,187,110.09
0887729 B.C. Ltd.	4	\$105,543,585.00
TerreStar License Inc.	4	\$1,170,187,110.09

⁷ This summary of proofs of claim filed against the Debtors is provided for the Court's reference only and does not reflect claim amounts that will ultimately be allowed claims against the TSN Debtors. As noted in previous reports, TerreStar Canada and Holdings Canada are guarantors of the Senior Secured Notes, which secured claims (approximately \$1.4 billion) account for a large portion of the amounts listed in respect of these entities. Other unsecured claims have been filed against these entities (and 088 B.C.) (including by Sprint in the amount of approximately \$104 million (as discussed herein)) and Jeffries & Company Inc. (in the approximate amount of \$1.3 million), but remain subject to the claims reconciliation and resolution processes in the U.S. Bankruptcy Proceeding, and Deloitte understands that the TSN Debtors intend to object to certain claims.

TerreStar Networks Holdings (Canada) Inc.	3	\$1,530,091,411.95
TerreStar Networks (Canada) Inc.	4	\$1,532,787,393.95

55. Deloitte understands that the Debtors have just begun their claim review and analysis process and have yet to file any objections to the claims filed. The Disclosure Statement details that there are numerous claims, including material claims by Sprint Nextel and Jefferies & Company Inc., to which Deloitte understands the Debtors will object.
56. As discussed in the fourth amended Disclosure Statement, the TSN Debtors' intended restructuring timeline is established by the milestones contained in the DIP Facility, which have been updated as follows per the second amendment to the DIP Facility:
- a. receipt of Bankruptcy Court approval of the Disclosure Statement moved from December 14, 2010 to December 22, 2010;
 - b. filing with the Federal Communications Commission or Industry Canada all necessary applications and notifications was moved from December 14, 2010 to December 22, 2010;
 - c. the next funding date under the DIP Facility (at which time \$6 million will be drawn) was moved from December 15, 2010 to December 23, 2010;
 - d. commencement of a hearing by the Bankruptcy Court on confirmation of an Acceptable Plan was moved from January 31, 2011 to February 14, 2011; and
 - e. issuance of a final order of the Bankruptcy Court approving the confirmation of an Acceptable Plan was moved from February 14, 2011 to February 28, 2011.

**NOTICE OF THE MARKETING PROCESS FOR AN ALTERNATIVE
TRANSACTION REGARDING THE TSN DEBTORS' ASSETS**

57. Deloitte understands that the TSN Debtors have instituted a formal marketing process for the sale of their businesses and/or assets in an attempt to obtain a superior proposal to that contemplated under the Plan.
58. To this end, on November 29, 2010, the Debtors issued a notice (the “Alternative Transaction Notice”) indicating that, concurrently with the prosecution of the Plan and Disclosure Statement, they are also seeking alternative transactions for the sale of any or all of the TSN Debtors’ assets which may result in greater value for the TSN Debtors’ stakeholders and estates than the value which will result from the Plan (the “Alternative Transaction”).
59. The assets that would be the subject of any Alternative Transaction would include, without limitation, the following:
- a. Licence from the Federal Communications Commission (the “FCC”) to use the 20 MHz of the 2.0 GHz band (the “S-Band”) in the United States for mobile satellite service (the “MSS”) and the ancillary terrestrial service;
 - b. Licence from Industry Canada to utilize the MSS portion of the same S-Band spectrum in Canada;
 - c. Rights in the TerreStar -1 and TerreStar-2 satellites; and
 - d. Other assets which comprise the TSN Debtors’ satellite communications network.
60. With respect to the Alternative Transaction Notice, the Debtors advise that the marketing for an Alternative Transaction does not result in an event of default under the DIP Facility and is being undertaken by the TSN Debtors in the full

exercise of their fiduciary duties to seek to maximize the value of their estates for stakeholders by ensuring there is full exposure of the Assets to the marketplace.

61. Furthermore, the Alternative Transaction Notice provides that the Debtors were to publish a copy of the Alternative Transaction Notice in the national editions of the *The Washington Post*, *USA Today*, and *The Globe and Mail* within a week after the filing of the Alternative Transaction Notice.
62. Deloitte understands that the TSN Debtors are currently in discussions with certain parties interested in a potential Alternative Transaction. To the extent there are any available material developments with respect to the TSN Debtors' marketing efforts of their assets that can be disclosed publically, the Information Officer will advise this Court accordingly.

All of which is respectfully submitted at Toronto, Ontario, this 22nd 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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THIRD REPORT OF THE INFORMATION OFFICER,
DELOITTE & TOUCHE INC.
DECEMBER 22, 2010

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