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Counsel to the TSC Debtors

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

)				
In re:)				Chapter 11
)				
TERRESTAR CORPORATION, <i>et al.</i> , ¹)				Case No. 11-10612 (SHL)
)				
Debtors.)				Joint Administration Requested
)				

**NOTICE OF FILING OF EXHIBIT C TO THE MOTION OF
THE FEBRUARY DEBTORS AND THE GUARANTOR FOR ORDER
(A) AUTHORIZING THE FEBRUARY DEBTORS TO OBTAIN
POST-PETITION FINANCING AND (B) AUTHORIZING
THE FEBRUARY DEBTORS TO USE CASH COLLATERAL**

PLEASE TAKE NOTICE that on June 27, 2012, the TSC Debtors filed the *Motion of the February Debtors and the Guarantor for Order (A) Authorizing the February Debtors to Obtain Post-Petition Financing and (B) Authorizing the February Debtors to Use Cash Collateral* (the “**Motion**”) [Docket No. 512].

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor’s federal taxpayer-identification number, are: (a) TerreStar Corporation [6127]; and TerreStar Holdings Inc. [0778] (collectively, the “**February Debtors**”) and (b) TerreStar New York Inc. [6394]; Motient Communications Inc. [3833]; Motient Holdings Inc. [6634]; Motient License Inc. [2431]; Motient Services Inc. [5106]; Motient Ventures Holding Inc. [6191]; MVH Holdings Inc. [9756] (collectively, the “**Other TSC Debtors**”) and collectively, with the February Debtors, the “**TSC Debtors**”).

PLEASE TAKE FURTHER NOTICE that on June 28, 2012, the TSC Debtors filed Exhibit C, the *Declaration of Steven Zelin in Support of Motion of the February Debtors and the Guarantor for Order (A) Authorizing the February Debtors to Obtain Post-Petition Financing and (B) Authorizing the February Debtors to Use Cash Collateral*, to the Motion.

PLEASE TAKE FURTHER NOTICE that a hearing (the “*Hearing*”) to consider the Motion shall be held before the Honorable Sean H. Lane, United States Bankruptcy Judge, United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004, on August 9, 2012 at 10:00 a.m. (prevailing Eastern Time) in Courtroom 701.

New York, New York
Dated: June 29, 2012

/s/ Ira S. Dizengoff
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Exhibit C to the Motion

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 11
)	
TERRESTAR CORPORATION, <i>et al.</i> , ¹)	Case No. 11-10612 (SHL)
)	
Debtors.)	Jointly Administered

**DECLARATION OF STEVEN ZELIN IN SUPPORT OF MOTION
OF THE FEBRUARY DEBTORS AND THE GUARANTOR FOR
ORDER (A) AUTHORIZING THE FEBRUARY DEBTORS TO
OBTAIN POSTPETITION FINANCING AND (B) AUTHORIZING
THE FEBRUARY DEBTORS TO USE CASH COLLATERAL**

I, Steven Zelin, hereby declare, pursuant to 28 U.S.C. § 1746, under penalty of perjury:

Background

1. I am a Senior Managing Director of Blackstone Advisory Partners L.P. (“*Blackstone*”), a global alternative asset manager and provider of financial advisory services listed on the New York Stock Exchange that maintains offices at 345 Park Avenue, New York, New York 10154. Blackstone was retained by the TSC Debtors in April 2010 to assist with a broad range of responsibilities including, among other things, to structure and secure debtor-in-possession financing to the extent necessary. Over the course of the last two years, Blackstone has become familiar with the TSC Debtors’ business, finances and capital structure, as well as their financial restructuring initiatives.

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor’s federal taxpayer-identification number, are: (a) TerreStar Corporation [6127]; and TerreStar Holdings Inc. [0778] (collectively, the “*February Debtors*”) and (b) TerreStar New York Inc. [6394]; Motient Communications Inc. [3833]; Motient Holdings Inc. [6634]; Motient License Inc. [2431]; Motient Services Inc. [5106]; Motient Ventures Holding Inc. [6191]; MVH Holdings Inc. [9756] (collectively, the “*Other TSC Debtors*” and, collectively with the February Debtors, the “*TSC Debtors*”).

2. I joined Blackstone in 1998 and was made partner in 2000. Prior to joining Blackstone, I was a partner in the Restructuring & Reorganization Group of Ernst & Young LLP.

3. I have almost 24 years of experience in financial advisory services, including financial transactions, valuation and restructuring transactions. I have led complex bankruptcies and reorganizations across a broad spectrum of industries in a variety of capacities. Among other things, I have advised companies, equity sponsors and creditors in both domestic and cross-border restructuring, capital raise, financing and merger and acquisition advisory transactions. In particular, I have provided services to debtors and other constituencies in numerous chapter 11 cases, including, among others, *Abitibi Bowater Holdings, Inc.*, *Aeromexico/Mexicana Airlines*, *Aquila, Inc.*, *Big V Supermarkets (Shop Rite)*, *Delphi Corporation*, *Enron Corporation*, *Entergy New Orleans*, *Jefferson County (Alabama) Sewer System*, *Ferruzzi Finanziaria*, *Ford Motor Company*, *General Motors Corporation*, *The Goodyear Tire & Rubber Company*, *Highland Hospitality Corp.*, *Integrated Resources, Inc.*, *Intrawest ULC*, *Kindred Healthcare* (formerly *Vencor*), *Marvel Entertainment Group*, *Mrs. Fields Cookies, Inc.*, *Motorola Inc.* (in the restructuring of *Iridium*), *Pacific Lumber/Scotia Pacific Corp.*, *SEM Group Energy Partners*, *R. H. Macy & Co.*, *State of Rhode Island* (in the restructuring of *Twin River Casino*), *Sumitomo Corp* (in the restructuring of *Apex Silver Mines*), *Washington Mutual, Inc.* and *Xerox Corporation*. I have provided expert witness testimony regarding valuation and restructuring matters on numerous occasions, including in this matter.

4. I submit this declaration in support of the *Motion of the February Debtors and the Guarantor for Order (A) Authorizing the February Debtors to Obtain Postpetition Financing and (B) Authorizing the February Debtors to Use Cash Collateral* (the “**DIP Motion**”).²

5. The statements in this declaration are, except where specifically noted, based on my personal knowledge or opinion, on information that I have received from the TSC Debtors’ employees or advisors and/or employees of Blackstone working directly with me or under my supervision, direction or control, or from the TSC Debtors’ records maintained in the ordinary course of their business. I am not being compensated specifically for this testimony other than through payments received by Blackstone as a professional proposed to be retained by the TSC Debtors. If I were called upon to testify, I could and would testify competently to the facts set forth herein. I am authorized to submit this declaration on behalf of the TSC Debtors.

The February Debtors’ Need for Post-petition Financing

6. The February Debtors do not currently generate sufficient cash to cover their expenses. Accordingly, regular infusions of capital have been and continue to be necessary to maintain the February Debtors’ business and the value of the February Debtors’ assets.

7. As set forth in more detail in my declaration in support of the Initial DIP Facility [Ex. C to Docket No. 4] (the “*Initial Zelin Declaration*”), in the months prior to filing for chapter 11, the February Debtors attempted a number of measures to increase liquidity and remove obligations from their balance sheet. Although the February Debtors were successful in obtaining short-term financing, these transactions were insufficient to finance the long-term liquidity requirements of the February Debtors. As such, the February Debtors determined that the best path forward was to file for chapter 11. As part of that path, the February Debtors

² Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the DIP Motion.

needed to obtain debtor-in-possession financing to, among other things, maintain their business in chapter 11, preserve the value of their assets and successfully reorganize.

8. On March 9, 2011, the Court entered an order approving the TSC Debtors' entry into the Initial DIP Facility on a final basis. The Initial DIP Facility was paid and satisfied in full on January 3, 2012.

9. The February Debtors have worked with Blackstone continually to analyze their cash needs. The Spectrum Lease was terminated on April 20, 2012, resulting in the loss of monthly cash receipts of \$2 million. To offset the impact of lost revenues as a result of the Spectrum Lease termination, the February Debtors have made efforts to reduce ongoing cash losses by (i) eliminating certain operating expenses (resulting in monthly savings of approximately \$30,000), (ii) eliminating the TSC Debtors' obligations to fund the professional fees of the Bridge Lenders as of June 1, 2012 (which savings will occur only in connection with approval of the DIP Motion and related amendment of the Bridge Loan Agreement), and (iii) entering into a lease with FirstEnergy Service Company ("**FirstEnergy**").³ Notwithstanding the above, and based upon the February Debtors' most recent forecast, the February Debtors have concluded that, absent approval of the DIP Financing and the February Debtors' continued use of Cash Collateral, the February Debtors' current cash on hand and cash generated will be insufficient to, among other things, fund their emergence from chapter 11 and preserve the value of the February Debtors' assets.

10. The DIP Financing received by the February Debtors will be subject to a Budget. The February Debtors, with the assistance of Blackstone, have prepared an initial budget for the

³ Although 1.4 Holdings recently entered into a short-term lease agreement with FirstEnergy whereby FirstEnergy is leasing the right to use a geographically small portion of the 1.4 Spectrum (the "**FirstEnergy Lease**"), the proceeds under the FirstEnergy Lease are significantly lower than the proceeds received under the Spectrum Lease.

DIP Financing for a 6-month period beginning on the closing of the DIP Financing. I believe that the initial budget, which is still being reviewed by the Requisite Lenders, is achievable and that, based upon that budget, the February Debtors will be able to (i) avoid the accrual of unpaid administrative expenses, (ii) maximize the value of their estates and the ultimate recoveries to their creditors and stakeholders and (iii) successfully exit chapter 11.⁴

DIP Financing Negotiations

11. Since prior to February 2012, the Credit Parties have been in discussions with certain parties in connection with providing a financing facility that would allow the TSC Debtors to consummate a successful exit from these chapter 11 cases. In addition to the DIP Lenders, Blackstone, on behalf of the Credit Parties, and the TSC Debtors' other advisors identified, and approached, at least three other institutions about entering into discussions to provide post-petition financing to the February Debtors. After preliminary discussions, these institutions concluded that because of the size of the requested post-petition financing, and because it was likely that the group of Preferred Shareholders with whom the Debtors have been negotiating their restructuring, who are also the proposed DIP Lenders, would outbid them (similar to what happened with respect to the Initial DIP Facility), they were not willing to enter into further negotiations and expend additional time and money to determine how they would structure and price such post-petition financing.

⁴ In connection with exploring strategies to maximize the value of their assets, the February Debtors, in an exercise of prudent business judgment, have decided that it is necessary to explore their options with respect to their indirect ownership of the 1.4 Spectrum. Any transaction regarding the 1.4 Spectrum will require a full understanding of the 1.4 Spectrum, which is a highly technical asset. Accordingly, the TSC Debtors filed a motion seeking authority to enter into a consulting agreement with RKF Engineering Solutions, LLC ("**RKF**") (Docket No. 497). RKF will assist the TSC Debtors in evaluating the technical and engineering aspects of the 1.4 Spectrum (including strategies to comply with build-out requirements under the FCC spectrum licenses by the April 2017 deadline) and the TSC Debtors' eventual disposition of the 1.4 Spectrum.

12. In light of the foregoing, in May 2012, the Credit Parties decided to continue further negotiations with the DIP Lenders, who were willing to provide the February Debtors a debtor-in-possession financing facility that will allow the February Debtors to maximize the recoveries to their creditors and stakeholders through a plan and successful exit from chapter 11.

13. Prior to and during these negotiations, the TSC Debtors and their advisors analyzed various DIP financing structures, evaluated the February Debtors' need for financing (*i.e.*, amount, type, etc.) and carefully weighed the effect that the February Debtors' pre-petition capital structure (specifically, the Bridge Loan) would have on both its ability to attain DIP financing as well as ultimately exit from chapter 11. In considering all of their options, the February Debtors recognized that substantially all of the February Debtors' assets served as security for the Bridge Loan, such that either (i) the liens securing the Bridge Loan would have to be "primed" to obtain post-petition financing, (ii) the February Debtors would have to find a post-petition lender willing to extend credit to pay off the Bridge Loan or (iii) the February Debtors would have to find a post-petition lender willing to extend credit on a junior basis.

14. In light of the above, and after considering all other options, the Credit Parties determined that the proposal by the DIP Lenders, which provides for the consensual priming of the Bridge Loan Liens with respect to a majority of the Bridge Loan Lenders, was in the best interests of the Credit Parties and all of their stakeholders. Specifically, the Credit Parties concluded that the DIP financing proposal that is the subject of this DIP Motion was superior to all other options because it eliminates any risk of a "priming" fight with a majority of the Bridge Loan Lenders and provides the February Debtors with the financing necessary to preserve the value of their assets during these chapter 11 cases.

15. Importantly, the DIP Financing will provide the February Debtors with the cash necessary to finance the remainder of the chapter 11 cases in light of the termination of the Spectrum Lease Agreement.

16. I believe that the terms of the DIP Financing, the February Debtors' use of Cash Collateral as provided by the proposed order for the DIP Motion and all other financial accommodations provided under the DIP Documents are fair and reasonable and supported by reasonably equivalent value and fair consideration. Moreover, the DIP Financing addresses the February Debtors' working capital and liquidity needs and will enable the February Debtors to preserve the value of their assets.

The DIP Financing Represents the Best Financing Available to the February Debtors

17. The February Debtors have been unable to procure sufficient financing: (a) in the form of unsecured credit; (b) solely as an administrative expense; or (c) in exchange solely for the grant of a superpriority administrative expense claim. Accordingly, in order to induce the DIP Lenders to provide the DIP Financing, the February Debtors agreed to provide the DIP Lenders with superpriority claims, first priority liens on certain unencumbered property, junior liens on certain encumbered property, and first priority priming liens on certain encumbered property.

18. The priming of the liens held by the Bridge Loan Lenders is appropriate as the February Debtors were unable to obtain debtor-in-possession financing otherwise and the interests of the Bridge Loan Lenders are adequately protected as the value of the February Debtors' assets greatly exceeds the amount of secured debt encumbering such assets. Specifically, under the Spectrum Lease, the lessee made payments of \$2 million per month, and held the option, but not the obligation, to purchase the 1.4 Spectrum upon the occurrence of

certain events or under certain conditions, subject to FCC approval. Based on the terms of the Spectrum Lease, and as set forth in Exhibit F of the *Second Amended Disclosure Statement for the Second Amended Joint Chapter 11 Plan of TerreStar Corporation, Motient Communications Inc., Motient Holdings Inc., Motient License Inc., Motient Services Inc., Motient Ventures Holding Inc., MVH Holdings Inc., TerreStar Holdings Inc. and TerreStar New York Inc.*, the TSC Debtors had valued their interest in the 1.4 Spectrum at \$175-\$185 million. Although the Spectrum Lease was terminated, the TSC Debtors believe, based upon the current market for spectrum, that there is substantial value in the 1.4 Spectrum. The TSC Debtors have sought Court authority to retain RKF to help determine if there are other applications that will maximize value further. I believe the value of the 1.4 Spectrum provides a significant equity cushion given that the total debt (including the proposed DIP Financing) secured by the TSC Debtors' assets is less than \$8.0 million.

19. The Bridge Loan Lenders' interests are adequately protected by the Adequate Protection Lien, the 507(b) Claims, and the payment of interest at the non-default rate as set forth in the proposed order to the DIP Motion. These adequate protection provisions are fair and reasonable, and were necessary to enable the February Debtors to obtain the benefit of the DIP Financing.

20. The terms of the DIP Financing were negotiated in good faith and at arm's length between the February Debtors, the Guarantor, the DIP Agent and the DIP Lenders. As explained above, accommodations granted by the Credit Parties under the DIP Financing were necessary and appropriate for the February Debtors to obtain the DIP Financing. The DIP Financing represents the best possible available debtor-in-possession financing available to the February Debtors and will enable the February Debtors to maintain their assets during the pendency of

these chapter 11 cases and will allow them to maximize recoveries to their creditors and stakeholders and successfully exit chapter 11.

[Signature Page Follows]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true
and correct.

Dated: New York, New York
June 29, 2012

A handwritten signature in black ink, appearing to read "Stu Zelin", written over a horizontal line.

Steven Zelin