

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 LIGHTSQUARED LP
UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT*
ACT, R.S.C. 1985, c. C 36, AS AMENDED**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE
UNITED STATES BANKRUPTCY COURT WITH RESPECT TO
LIGHTSQUARED INC., LIGHTSQUARED INVESTORS HOLDINGS INC., ONE
DOT FOUR CORP., ONE DOT SIX CORP., SKYTERRA ROLLUP LLC,
SKYTERRA ROLLUP SUB LLC, SKYTERRA INVESTORS LLC, TMI
COMMUNICATIONS DELAWARE, LIMITED PARTNERSHIP,
LIGHTSQUARED GP INC., LIGHTSQUARED LP, ATC TECHNOLOGIES LLC,
LIGHTSQUARED CORP., LIGHTSQUARED FINANCE CO., LIGHTSQUARED
NETWORK LLC, LIGHTSQUARED INC. OF VIRGINIA, LIGHTSQUARED
SUBSIDIARY LLC, LIGHTSQUARED BERMUDA LTD., SKYTERRA
HOLDINGS (CANADA) INC., SKYTERRA (CANADA) INC. AND ONE DOT SIX
TVCC CORP. (COLLECTIVELY, THE "CHAPTER 11 DEBTORS")**

**SUPPLEMENTAL REPORT TO THE FIRST REPORT OF THE
INFORMATION OFFICER**

ALVAREZ & MARSAL CANADA INC.
June 22, 2012

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PURPOSE OF THIS REPORT

1. Alvarez & Marsal Canada Inc., in its capacity as Information Officer, filed with this Court the first report of the Information Officer dated June 12, 2012 (the “**First Report**”) to provide this Court with information concerning: (i) the recent orders (the “**Foreign Orders**”) of the U.S. Bankruptcy Court that LightSquared LP (the “**Foreign Representative**” or the “**Applicant**”) sought recognition of by this Court by way of motion served June 7, 2012 returnable on June 14, 2012; (ii) other matters in the U.S. Chapter 11 Cases; and (iii) a summary of the activities of the Information Officer to June 12, 2012.
2. On June 14, 2012, the Honourable Justice Morawetz granted an order (the “**Recognition Order**”) recognizing the Foreign Orders, including the Cash Collateral Order (defined below). The Cash Collateral Order entered by the U.S. Bankruptcy Court late on June 13, 2012, had been significantly amended from the draft version served by the Applicant in these proceedings on June 7, 2012 (the “**Draft Order**”).
3. The purpose of this supplemental report to the First Report of the Information Officer (the “**Supplemental Report**”) is to provide information about the key changes reflected in the Cash Collateral Order as recognized by this Honourable Court. The Information Officer was unable to comment on the Cash Collateral Order in its First Report which was served prior to the order having been entered.
4. In preparing this Supplemental Report, A&M Canada has relied on information and documents provided by the Foreign Representative, the Chapter 11 Debtors and their counsel. A&M Canada has not audited, reviewed or otherwise attempted to independently verify the accuracy or completeness of this information. Accordingly, A&M Canada expresses no opinion or other form of assurance on the information contained herein or relied on in its preparation.
5. Defined terms not otherwise defined herein shall have the meanings given to such terms in the First Report and the Cash Collateral Order. Copies of all documents

previously filed in these CCAA Recognition Proceedings may be downloaded from the Information Officer's website for this matter:

www.amcanadadocs.com/lightsquared.

6. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.

THE CASH COLLATERAL ORDER

Overview

7. On June 11, 2012, the U.S. Bankruptcy Court heard and granted the Chapter 11 Debtors' motions for certain final orders in the Chapter 11 Cases. The hearing on the motion for an order dealing with the Chapter 11 Debtors' use of cash collateral and the granting of adequate protection to the prepetition secured parties was adjourned, ultimately several times, to allow the Chapter 11 Debtors and the prepetition secured parties to continue discussions to resolve outstanding objections.
8. On June 13, 2012, upon all outstanding objections having been resolved, the U.S. Bankruptcy Court in the Chapter 11 Cases entered an Agreed Final Order (A) Authorizing Debtors to Use Cash Collateral, (B) Granting Adequate Protection to Prepetition Secured Parties, and (C) Modifying Automatic Stay (the "**Cash Collateral Order**").
9. On June 14, 2012, shortly before this Court granted the Recognition Order, lawyers for the Applicant served and filed in these CCAA Recognition Proceedings, as exhibits to the Supplemental Affidavit of Jarvis H. Hetu, a copy of the Cash Collateral Order entered by the U.S. Bankruptcy Court as well as a copy thereof blacklined to the Draft Order.
10. The Cash Collateral Order, *inter alia*, authorizes the use of Cash Collateral of the Prepetition Secured Parties and provides adequate protection to the Prepetition

Secured Parties for any diminution in the value of their interests in the Prepetition Collateral resulting from the Chapter 11 Debtors' use, sale or lease of the Prepetition Collateral during the Chapter 11 Cases, pursuant to sections 361, 362 and 363 of the U.S. Bankruptcy Code.

11. The Cash Collateral Order includes the following findings by the U.S. Bankruptcy Court:
 - a. The Prepetition Secured Parties have agreed and consented to the use of their respective Prepetition Collateral, including Cash Collateral, in exchange for, *inter alia*, (a) the Adequate Protection Liens and 507(b) Claims and (b) the Adequate Protection Payments until the occurrence of an LP Termination Event or an Inc. Withdrawal Event, as applicable (as summarized below);
 - b. The Chapter 11 Debtors use of the Prepetition Collateral, including Cash Collateral of the Prepetition LP Lenders, is critical to enable them to continue operations and to administer and preserve the value of their estates;
 - c. The ability of the Chapter 11 Debtors to engage in ongoing discussions with the FCC regarding the deployment of their network, to maintain business relationships with their vendors, suppliers and customers, to pay their employees and otherwise finance their operations requires the use of the Prepetition Collateral, including Cash Collateral of the Prepetition LP Lenders, the absence of which would result in immediate and irreparable loss or damage to the Chapter 11 Debtors, their estates, and their creditors;
 - d. The Chapter 11 Debtors do not have sufficient available sources of unencumbered cash to operate their businesses or maintain their properties in the ordinary course of business without the authorized use of the Prepetition LP Lenders' Cash Collateral; and
 - e. Granting the relief requested is fair and reasonable and in the best interests of the Chapter 11 Debtors, their estates and their stakeholders.

Background – Inc. Debt Structure Summary

12. The Prepetition Inc. Credit Facility provided LightSquared Inc. with term loans in the aggregate principal amount of \$278,750,000. As of the Petition Date, an aggregate principal amount of approximately \$322,333,494 was outstanding under the Prepetition Inc. Credit Agreement.

13. To secure the Prepetition Inc. Obligations, the Inc. Obligors granted to the Prepetition Inc. Agent, for the benefit of the Prepetition Inc. Lenders, first-priority security interests in and liens on (a) the One Dot Six Lease, (b) the One Dot Four Lease, (c) the capital stock of each Prepetition Inc. Subsidiary Guarantor, and (d) all proceeds and products of each of the foregoing whether obtained prepetition or postpetition. The Prepetition Inc. Collateral does not include cash other than proceeds of the Prepetition Inc. Collateral. The three Chapter 11 Debtors that are Canadian companies (the “**Canadian Debtors**”), namely, LightSquared Corp., SkyTerra Holdings (Canada) Inc. and SkyTerra (Canada) Inc., are not obligors or guarantors of the Prepetition Inc. Obligations.

14. As of the Petition Date, the Chapter 11 Debtors had approximately \$15 million in unencumbered cash in LightSquared Inc. Schedule 2 of the Cash Collateral Order provides a summary of LightSquared Inc.’s standalone rolling monthly cash forecast and the LightSquared Inc. and LightSquared LP consolidated rolling monthly cash forecast for the period January 1, 2012 to March 31, 2014.

15. LightSquared Inc.’s standalone rolling monthly cash forecast shows the \$15 million in unencumbered cash being used by January 31, 2013. As a result, the Chapter 11 Debtors and the Prepetition Inc. Agent are in discussions regarding debtor-in-possession financing (“**DIP Financing**”). The Chapter 11 Debtors intend to seek approval in the U.S. Bankruptcy Court of an interim order on June 28, 2012 (the “**Interim DIP Order**” for future financing and a final order on July 17, 2012 (collectively, the “**DIP Orders**”). As currently contemplated, the DIP Financing and

DIP Orders will not affect the Canadian Debtors or any assets held by the Canadian Debtors.

16. Since the Petition Date, LightSquared Inc. has used approximately \$3.5 million of its unencumbered cash to fund LightSquared LP's and its subsidiaries' estates' restructuring expenses, which amount has since been repaid to LightSquared Inc.

Background – LP Debt Structure Summary

17. The Prepetition LP Credit Facility provided LightSquared LP with term loans in the aggregate principal amount of \$1,500,000,000. As of the Petition Date, an aggregate principal amount of approximately \$1,700,571,106 was outstanding under the Prepetition LP Credit Agreement.
18. To secure the Prepetition LP Obligations, the LP Obligors granted to the Prepetition LP Agent for the benefit of the Prepetition LP Lenders first-priority security interests in and liens on (a) substantially all of the assets of LightSquared LP and the Prepetition LP Subsidiary Guarantors, (b) the equity interests of LightSquared LP and the Prepetition LP Parent Guarantors (except LightSquared Inc.), (c) certain equity interests owned by the Pledgors, (d) the Intercompany Notes and (e) the rights of LightSquared Inc. under and arising out of the Inmarsat Cooperation Agreement. The Canadian Debtors are Prepetition LP Subsidiary Guarantors.
19. As of the Petition Date, LightSquared LP had no unencumbered cash but had approximately \$190 million of Cash Collateral. Schedule 1 of the Cash Collateral Order provides a summary of LightSquared LP's standalone rolling monthly cash forecast.

Significant Changes to the Draft Order

20. The following summarizes the significant changes made to the Draft Order to arrive at the Cash Collateral Order.

Use of the Prepetition LP Lenders' Cash Collateral

21. The Chapter 11 Debtors are authorized to use the Prepetition LP Lenders' Cash Collateral in accordance with the Budget (attached as Schedule 1 to the Cash Collateral Order) for one year from the date the Cash Collateral Order is entered by the U.S. Bankruptcy Court or until the occurrence of an LP Termination Event.
22. The Budget relates solely to the use of Cash Collateral at LightSquared LP of approximately \$190 million and does not include the unencumbered cash at LightSquared Inc. (as provided in Schedule 2 to the Cash Collateral Order).
23. The Chapter 11 Debtors may use the Prepetition LP Lenders' Cash Collateral in excess of the amount set forth in the Budget for any particular expenditure line item so long as the percentage deviation for all operating expenditure line items during any two month period does not exceed 15% in the aggregate of the amount set forth in the Budget for all operating expenditure line items and payments requiring court approval (i.e. bonus, severance, and critical vendor payments); payments to restructuring professionals and payments to Prepetition Secured Parties are not included.
24. Payments for capital expenditures may be used on an aggregate basis at any time over the entire 12 month period of the Budget.
25. Based on the Budget, access to the Prepetition LP Lenders' Cash Collateral would provide sufficient funding to allow the Chapter 11 Debtors to continue their operations for 14 months or to October 2013.

Further Adequate Protection

26. As further adequate protection, certain entitlements for the Prepetition Inc. Lenders were granted, including, *inter alia*:

- a. Pending entry of a DIP Order on or before June 30, 2012, the Prepetition Inc. Obligations will accrue interest at the non-default contract rate and consistent with the Prepetition Inc. Credit Agreement. The Inc. Obligors' are not required to pay this obligation during the Chapter 11 Cases;
- b. Upon entry of the DIP Order, interest on the Prepetition Inc. Obligations accrue at the default rate of interest from and after the Petition Date. A hearing for the Interim DIP Order is currently scheduled for June 28, 2012;
- c. If a DIP Order is not entered on or before June 30, 2012, there will be a hearing in the U.S. Bankruptcy Court on July 17, 2012 to consider whether interest should accrue on the Prepetition Inc. Obligations at the default rate from and after the Petition Date; and
- d. In the event that the Prepetition Inc. Obligations are later determined to be under secured, any party in interest would be able to seek to terminate, or reallocate to principal payments, the accrual of such postpetition interest.

27. As further adequate protection, certain entitlements for the Prepetition LP Lenders were also granted, including, *inter alia*:

- a. The payment of \$6.25 million, inclusive of interest and professional fees and expenses (incurred prior to or after the Petition Date), per month starting on July 1, 2012;
- b. The funds are to be applied in the following order: (a) for non-professional fees and expenses of the Prepetition LP Agent; (b) for LP professional fees; and (c) for interest on the Prepetition LP Obligations;
- c. The amount would be applied to the LP Professional Fees only as long as the Ad Hoc LP Secured Group is the largest group (by dollar amount) of the Prepetition LP Lenders; and
- d. The right of the Prepetition LP Lenders to accrue interest (including at a default rate), fees, expenses or charges to the fullest extent permitted under

section 506(b) of the U.S. Bankruptcy Code. All parties reserve all rights to assert that any such payments of interest and LP Professional Fees made by the LP Obligors constitute and may be reallocated or recharacterized as principal repayments of the Prepetition LP Obligations.

Financial and Other Reporting Obligations

28. The Cash Collateral Order added the following financial and other reporting obligations, *inter alia*:

- a. To provide the Prepetition LP Agent and its financial and legal advisors as well as the financial advisor to the Prepetition Inc. Agent with (a) weekly cash balances as of the last day of the prior week, and (b) a reconciliation of revenues generated and expenditures made during the prior month and cumulatively during the Chapter 11 Cases, (c) a comparison of such amounts to the amounts projected in the Budget, and (d) an update of the Budget through June 2013; and
- b. To provide certain professionals from White & Case LLP and Blackstone, advisors to the Prepetition LP Lenders, with periodic updates and reasonably detailed information regarding any significant meetings, discussions or proposals with respect to the material assets of the Debtors, including, meetings with the FCC and/or federal agencies; and
- c. The intention of reporting obligations is to provide the Ad Hoc LP Secured Group with reasonable information and reasonable time to consider the impact of all FCC and related matters on its interests. The Cash Collateral Order finds that this is an integral element and the basis of the Ad Hoc LP Secured Group's consent to the use of its Cash Collateral.

Release to Prepetition Secured Parties

29. The Cash Collateral Order provides a release by the Chapter 11 Debtors on behalf of themselves and their estates and any party acting by, through or under them, in favour of the Prepetition Inc. Lenders and the Prepetition LP Lenders for lender liability, equitable subordination and/or avoidance actions with respect to the Prepetition

Obligations, the Prepetition Liens, or the Prepetition Facilities. This release is subject to the rights of parties other than the Debtors during the Investigation Period set out in section 12 of the Cash Collateral Order and referred to below.

Reservation of Rights

30. The Cash Collateral Order states that adequate protection is being provided on account of the interests in and liens on property of the estates on which liens are granted subject to the full reservations of rights as set forth primarily in section 12 thereof.
31. Section 12, entitled “Investigation Period,” was added and states that the adequate protection liens for Inc. and LP, the Section 507(b) Claim, the Prepetition Inc. Liens and the Prepetition LP Liens, are senior to the claims for professionals retained by the Chapter 11 Debtors for services related to objecting to any claims or liens with respect to the Prepetition Inc. and LP facilities save and except for up to \$50,000 which may be used to pay for counsel retained by the Committee. Further, any party in interest other than the Chapter 11 Debtors have until August 11, 2012 (the “**Investigation Termination Date**”) to investigate the validity of the Inc. and LP Prepetition Obligations and Liens. Notwithstanding the foregoing sentence, the Investigation Termination Date for Prepetition Inc. Obligations owing or Prepetition Inc. Liens granted to, or any other Claims and Defenses against, affiliates of the Debtors or any successor holder that acquired Prepetition Inc. Obligations after the Petition Date (“**Affiliate Challenges**”), is the earlier of (i) sixty days after the occurrence of an LP Termination Event and (ii) ten months from the date hereof; provided, that in the event the Ad Hoc LP Secured Group files an Ad Hoc Group Standing Motion, such period to be extended, for the Ad Hoc LP Secured Group only, to the date which is five business days after the date which the U.S. Bankruptcy Court enters an order granting the Ad Hoc Group Standing Motion. In the event that the security interests or claims of the Prepetition Inc. Agent, the Prepetition Inc. Lenders, the Prepetition LP Agent or of the Prepetition LP Lenders are voided or subordinated then any lien or priority granted to the Prepetition Inc. Agent or the Prepetition LP

Agent, as applicable, under the Cash Collateral Order may be voided or subordinated to the same extent and no provision of the order impairs the U.S. Bankruptcy Court from imposing any appropriate remedy.

32. In addition, under section 21, there remains a reservation of rights of the Prepetition Secured Parties to seek modification of the grant of adequate protection provided thereunder.

Other Changes to the Draft Order

33. A summary of the other changes made to the Interim Cash Collateral Order to get to in arriving at the Cash Collateral Order, *inter alia*, is as follows:
- a. The Prepetition LP Lenders consent to the repayment to LightSquared Inc. of any costs and expenses paid on behalf of the LP Obligors' estates since the Petition Date from unencumbered cash. If a DIP Order is not entered, the Chapter 11 Debtors reserve their rights to seek further order of the U.S. Bankruptcy Court authorizing the distribution of the Prepetition LP Lenders' Cash Collateral to the Inc. Obligors to fund, *inter alia*, their costs and expenses.
 - b. The Inc. Adequate Protection Liens exclude, *inter alia*, the assets of the Prepetition LP Subsidiary Guarantors and the unencumbered assets of LightSquared Inc.
 - c. The LP Adequate Protection Liens exclude, *inter alia*, the assets of the Prepetition Inc. Subsidiary Guarantors, the unencumbered assets of LightSquared Inc., and the SkyTerra-2 satellite and related assets.
 - d. The following Inc. Carve-Out provisions were added:
 - i. Reasonable fees and expenses incurred by a trustee for the Inc. Obligors, not to exceed \$50,000; and

- ii. Allowed and unpaid professional fees and expenses allocable to the Inc. Obligors incurred on or after the Termination Date or as otherwise ordered by the U.S. Bankruptcy Court, not to exceed \$1.5 million plus allowed fees and expenses allocable to the Inc. Obligors incurred prior to the Termination Date.
- e. The following LP Carve-Out provisions were added or modified:
 - i. Statutory fees payable to the Clerk of the U.S. Bankruptcy Court; and
 - ii. Allowed and unpaid professional fees and expenses allocable to the LP Obligors incurred on or after the Termination Date or as otherwise ordered by the U.S. Bankruptcy Court, not to exceed \$4.0 million plus allowed fees and expenses allocable to the LP Obligors incurred prior to the Termination Date.
- f. The Prepetition Inc. and LP Agents have the right to Credit Bid their obligations.

34. Additional provisions were added regarding the termination of the Chapter 11 Debtors' authorization to use the Prepetition LP Lenders' Cash Collateral. The Cash Collateral Order states that authorization will terminate automatically one year from the date of the Cash Collateral Order or upon five days prior written notice by the Prepetition LP Agent to the Chapter 11 Debtors upon the occurrence of any of the following LP Termination Events:

- a. The U.S. Bankruptcy Court enters an order dismissing any of the Chapter 11 Cases of the Chapter 11 Debtors with material assets or converting any such Chapter 11 Cases to cases under chapter 7;
- b. The U.S. Bankruptcy Court enters an order appointing a chapter 11 trustee in any of the Chapter 11 Cases of the Chapter 11 Debtors with material assets that is not stayed following entry;

- c. The U.S. Bankruptcy Court enters an order staying, reversing, or vacating, in a manner materially adverse to the Prepetition LP Agent or the Prepetition LP Lenders and without prior consent of the Prepetition LP Agent or the Prepetition LP Lenders, the Cash Collateral Order;
- d. A chapter 11 plan is confirmed and becomes effective for the LP Obligors;
- e. The U.S. Bankruptcy Court enters an order appointing an examiner with enlarged powers in any of the Chapter 11 Cases of the LP Obligors, or any LP Obligor files a motion or other pleading seeking the dismissal of its Chapter 11 Case under section 1112 of the U.S. Bankruptcy Code or otherwise;
- f. Except as expressly allowed in the Cash Collateral Order or the DIP Orders, the U.S. Bankruptcy Court enters an order granting any lien on, or security interest in, any Prepetition LP Collateral in favour of any party other than the Prepetition LP Agent or Prepetition LP Collateral Trustee, as the case may be, on behalf of the Prepetition LP Secured Parties, that is senior to, or *pari passu* with, the Prepetition LP Liens or the LP Adequate Protection Liens or granting an administrative claim payable by an LP Obligor to any party other than the Prepetition LP Agent or Prepetition LP Collateral Trustee, as the case may be, on behalf of the Prepetition LP Secured Parties, that is senior to, or *pari passu* with, the LP Section 507(b) Claim without the express written consent of the Prepetition LP Agent;
- g. The U.S. Bankruptcy Court enters an order approving any claims for recovery of amounts under section 506(c) of the U.S. Bankruptcy Code or otherwise arising from the preservation or disposition of any Prepetition LP Collateral;
- h. The U.S. Bankruptcy Court enters an order granting relief from the automatic stay under section 362 of the U.S. Bankruptcy Code with respect to all or any material portion of the property of the LP Obligors' estates except in connection with financing provided to the Inc. Obligors in connection with the DIP Orders;
- i. The Chapter 11 Debtors make any payment (including "adequate

- protection” payments) on or in respect of any prepetition indebtedness or prepetition obligations of an LP Obligor other than (i) on account of the Prepetition LP Obligations under the Prepetition Credit Documents, (ii) as permitted under the Cash Collateral Order, or (iii) as permitted by any order of the U.S. Bankruptcy Court;
- j. The Chapter 11 Debtors seek to, or support (in any such case by way of, *inter alia*, any motion or other pleading filed with the U.S. Bankruptcy Court or any other writing to another party in interest executed by or on behalf of the Chapter 11 Debtors) any other person’s motion to disallow or subordinate in whole or in part any Prepetition LP Secured Party’s claim in respect of the Prepetition LP Obligations, or to challenge the validity, enforceability, perfection, or priority of the liens in favour of the Prepetition LP Agent or the Prepetition LP Lenders (including, without limitation, any Prepetition LP Liens);
 - k. The Chapter 11 Debtors file a motion seeking to obtain any credit or incur any financing indebtedness that is secured by a lien on, or security interest in, the Prepetition LP Collateral which is senior to or *pari passu* with the Prepetition LP Liens or the LP Adequate Protection Liens, or having administrative priority status which is senior to or *pari passu* with the LP Section 507(b) Claim, other than the proposed 507(b) claim against LightSquared Inc. pursuant to the DIP Orders;
 - l. The Chapter 11 Debtors file any pleading seeking, or otherwise consenting to, or support or acquiesce in any other person’s motion as to, any of the matters set forth in paragraphs (a) through (c) above and paragraphs (e) through (g) above;
 - m. The Chapter 11 Debtors fail to comply with the terms of the Cash Collateral Order in any material respect, it being understood that non-compliance with the Permitted Variance constitutes material non-compliance with the Cash Collateral Order; and
 - n. The Chapter 11 Debtors’ period of exclusivity to file a Plan, or solicit acceptances thereof, has been terminated, as long as such termination is

not sought by, or for the benefit of, any Prepetition LP Secured Party.

35. The Cash Collateral Order was also revised with respect to the Chapter 11 Debtors' consensual use of Prepetition Inc. Collateral. The Cash Collateral Order states that authorization will terminate automatically on November 15, 2013 or consent to use the Prepetition Inc. Collateral will be withdrawn upon the occurrence any of the following Inc. Withdrawal Events:

- a. The U.S. Bankruptcy Court enters an order dismissing any of the Chapter 11 Cases of the Chapter 11 Debtors with material assets or converting any such Chapter 11 Cases to cases under chapter 7;
- b. The U.S. Bankruptcy Court enters an order appointing a chapter 11 trustee in any of the Chapter 11 Cases of the Chapter 11 Debtors with material assets that is not stayed following entry;
- c. The U.S. Bankruptcy Court enters an order appointing an examiner with expanded powers in any of the Chapter 11 Cases of the Inc. Obligors;
- d. The U.S. Bankruptcy Court enters an order staying, reversing, or vacating, in a manner materially adverse to the Prepetition Inc. Agent or the Prepetition Inc. Lenders and without prior consent of the Prepetition Inc. Agent or the Prepetition Inc. Lenders, this Cash Collateral Order;
- e. The Chapter 11 Debtors fail to make payments under the One Dot Six Lease when due thereunder without the prior written consent of the Prepetition Inc. Agent;
- f. The U.S. Bankruptcy Court enters an order approving the sale of all or substantially all of the Prepetition Inc. Collateral that does not provide for the payment in respect thereof to be remitted to the Prepetition Inc. Agent in respect of the Prepetition Inc. Obligations;
- g. A chapter 11 plan is confirmed and becomes effective for the Inc. Obligors;
- h. Except as expressly allowed in the Cash Collateral Order or the DIP Orders and subject to the reservation of rights set forth in paragraph 4 of the Cash Collateral Order, the U.S. Bankruptcy Court enters an order

granting any lien on, or security interest in, any Prepetition Inc. Collateral in favour of any party other than the Prepetition Inc. Agent, on behalf of the Prepetition Inc. Secured Parties, that is senior to, or *pari passu* with, the Prepetition Inc. Liens or the Inc. Adequate Protection Liens or granting an administrative claim payable by an Inc. Obligor (other than LightSquared Inc.) to any party other than the Prepetition Inc. Agent on behalf of the Prepetition Inc. Secured Parties, that is senior to, or *pari passu* with, the Inc. Section 507(b) Claim without the express written consent of the Prepetition Inc. Agent;

- i. The Chapter 11 Debtors file a motion (other than a motion filed in connection with (i) the approval of the DIP Orders or (ii) the reservation of rights set forth in paragraph 4 of the Cash Collateral Order), seeking to obtain any credit or incur any financing indebtedness that is secured by a lien on, or security interest in, the Prepetition Inc. Collateral which is senior to or *pari passu* with the Prepetition Inc. Liens or the Inc. Adequate Protection Liens, or having administrative priority status which is senior to or *pari passu* with the Inc. Section 507(b) Claim; and
- j. The Chapter 11 Debtors file a motion challenging the Prepetition Inc. Agent's or the Prepetition Inc. Lenders' claims or liens.

ALL OF WHICH IS RESPECTFULLY SUBMITTED at Toronto, Ontario this 22nd day of June, 2012.

ALVAREZ & MARSAL CANADA INC.
in its capacity as the Information Officer of
LightSquared LP and not in its personal or corporate capacity

Per:



John J. Walker

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED, APPLICATION OF LIGHTSQUARED LP UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE UNITED STATES BANKRUPTCY COURT WITH RESPECT TO THE CHAPTER 11 DEBTORS

Court File No: CV-12-9719-00CL

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

Proceeding commenced at Toronto

**SUPPLEMENTAL REPORT TO THE FIRST
REPORT OF THE INFORMATION OFFICER
June 22, 2012**

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