

**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")**

THIRTEENTH REPORT OF THE INFORMATION OFFICER

ALVAREZ & MARSAL CANADA INC.

February 4, 2014

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INTRODUCTION

1. On May 14, 2012 (the “**Petition Date**”), LightSquared LP (“**LSLP**” or the “**Applicant**”), LightSquared Inc. and various of their affiliates (collectively, “**LightSquared**” or the “**Chapter 11 Debtors**”), commenced voluntary reorganization cases (the “**Chapter 11 Cases**”) in the United States Bankruptcy Court for the Southern District of New York (the “**U.S. Bankruptcy Court**”) by each filing a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “**Bankruptcy Code**”).

2. On the Petition Date, the Chapter 11 Debtors filed various motions for interim and/or final orders (the “**First Day Motions**”) in the Chapter 11 Cases to permit the Chapter 11 Debtors to continue to operate their businesses in the ordinary course. Also, on the Petition Date, the Applicant, as the proposed Foreign Representative, commenced these proceedings (the “**CCAA Recognition Proceedings**”), by notice of application returnable before this Honourable Court (the “**Canadian Court**”) pursuant to Part IV of the *Companies’ Creditors Arrangement Act* (the “**CCAA**”).

3. On May 15, 2012, the Honourable Justice Morawetz granted an order in these proceedings providing certain interim relief to the Chapter 11 Debtors (the “**Interim Initial Order**”), including a stay of proceedings in respect of the Chapter 11 Debtors, the property and business of the Chapter 11 Debtors and the directors and officers of the Chapter 11 Debtors.

4. On May 15, 2012 and May 16, 2012, the U.S. Bankruptcy Court entered various “first day” orders, including an interim order authorizing LSLP to act as the foreign representative on behalf of the Chapter 11 Debtors’ estates (the “**Foreign Representative**”).

5. On May 18, 2012, the Honourable Justice Morawetz granted an initial recognition order in these proceedings (the “**Initial Recognition Order**”), which among other things: (i)

recognized LSLP as the “foreign representative” of the Chapter 11 Debtors; (ii) declared the Chapter 11 Cases to be a “foreign main proceeding” pursuant to Part IV of the CCAA; and (iii) stayed all proceedings against the Chapter 11 Debtors.

6. On May 18, 2012, the Honourable Justice Morawetz also granted a supplemental order in these proceedings (the “**Supplemental Order**”), which among other things: (i) appointed Alvarez and Marsal Canada Inc. (“**A&M Canada**”) as Information Officer (the “**Information Officer**”) in these proceedings; (ii) stayed all claims and proceedings in respect of the Chapter 11 Debtors, the property and business of the Chapter 11 Debtors and the directors and officers of the Chapter 11 Debtors; (iii) granted a super-priority charge over the Chapter 11 Debtors’ property, in favour of the Information Officer and its counsel, as security for their professional fees and disbursements incurred in respect of these proceedings; and (iv) recognized and gave full force and effect in Canada to certain orders entered by the U.S. Bankruptcy Court including the following:

- a. Order Directing Joint Administration of Related Chapter 11 Cases;
- b. Interim Order Authorizing LightSquared LP To Act as Foreign Representative Pursuant to 11 U.S.C. § 1505; and
- c. Interim Order (A) Authorizing Debtors To (I) Continue Using Existing Cash Management Systems, Bank Accounts and Business Forms and (II) Continue Intercompany Transactions, (B) Providing Postpetition Intercompany Claims Administrative Expense Priority, (C) Authorizing Debtors’ Banks To Honor All Related Payment Requests, (D) Waiving Investment Guidelines of Sections 345(b) of Bankruptcy Code and (E) Scheduling a Final Hearing.

7. On June 4, 11 and 13, 2012, the U.S. Bankruptcy Court entered various orders in the Chapter 11 Cases, including the “Final Order Authorizing LightSquared LP To Act as Foreign Representative Pursuant to 11 U.S.C. § 1505” (the “**Final Foreign Representative Order**”).

8. On June 14, 2012, on a motion brought by the Applicant, the Canadian Court granted an order (the “**June 14th Order**”) recognizing certain orders entered by the U.S. Bankruptcy Court including the following:

- a. Final Foreign Representative Order;
- b. Order Determining Adequate Assurance of Payment for Future Utility Services;
- c. 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**”); and
- d. Final Order (A) Authorizing Debtors To (I) Continue Using Existing Cash Management Systems, Bank Accounts and Business Forms and (II) Continue Intercompany Transactions, (B) Providing Postpetition Intercompany Claims Administrative Expense Priority, (C) Authorizing Debtors’ Banks To Honor All Related Payment Requests, and (D) Waiving Investment Guidelines of Sections 345(b) of Bankruptcy Code.

9. In connection with the June 14th Order, the Information Officer filed its First Report to the Canadian Court on June 12, 2012. The June 14th Order also approved the First Report and the activities of the Information Officer described therein.

10. On August 21, 2012, on a motion brought by the Applicant, the Canadian Court granted an order (the “**August 21st Order**”) recognizing the following orders of the U.S. Bankruptcy Court:

- a. Order Granting LightSquared's Motion for Order Approving Expedited Procedures for Sale, Transfer, and/or Abandonment of De Minimis Assets; and
- b. Order Pursuant to 11 U.S.C. § 502(b)(9) and Fed. R. Bankr. P. 2002 and 3003(c)(3) Establishing Deadlines for Filing Proofs of Claim and Procedures Relating Thereto and Approving Form and Manner of Notice Thereof.

11. In connection with the August 21st Order, the Information Officer filed its Second Report to the Canadian Court on August 15, 2012 (the "**Second Report**"). The August 21st Order also approved the Information Officer's Supplemental Report dated June 22, 2012, the Second Report and the activities of the Information Officer described therein.

12. On March 8, 2013, on a motion brought by the Applicant, the Canadian Court granted an order (the "**March 8th Order**") recognizing the following orders of the U.S. Bankruptcy Court:

- a. Order, Pursuant to 11 U.S.C. § 1121(d), Further Extending the Chapter 11 Debtors Exclusive Periods To File a Plan of Reorganization and Solicit Acceptances Thereof;
- b. Amended Agreed Final Order (A) Authorizing Debtors To Use Cash Collateral, (B) Granting Adequate Protection to Prepetition Secured Parties, and (C) Modifying Automatic Stay (the "**First Amended Cash Collateral Order**"); and
- c. Order, Pursuant to Section 105(a) of Bankruptcy Code and Bankruptcy Rules 6006, 9014, and 9019, (A) Approving Settlement Agreement Regarding Sprint Claims Under Master Services Agreement and (B) Authorizing Any and All Actions Necessary To Consummate Settlement Agreement.

13. In connection with the March 8th Order, the Information Officer filed its Fifth Report to the Canadian Court on March 5, 2013 (the "**Fifth Report**"). The March 8th Order also approved

the Information Officer's Third and Fourth Reports, the Fifth Report and the activities of the Information Officer described therein.

14. On March 20, 2013, on a motion brought by the Applicant, the Canadian Court granted an order (the "**March 20th Order**") recognizing the following order of the U.S. Bankruptcy Court:

- a. Order, Pursuant to 11 U.S.C. §§ 105(a), 363(b), and 363(f), (A) Approving and Authorizing LightSquared Network LLC and LightSquared Corp. To Enter into Consignment Agreement with Rincon Technology, Inc., (B) Authorizing Sale of Consigned Property, and (C) Authorizing LightSquared To Abandon Unsold Property.

15. In connection with the March 20th Order, the Information Officer filed its Sixth Report to the Canadian Court on March 15, 2013 (the "**Sixth Report**"). The March 20th Order also approved the Information Officer's Sixth Report and the activities of the Information Officer described therein.

16. On August 13, 2013, on a motion brought by the Applicant, the Canadian Court granted an order (the "**August 13th Order**") recognizing the following order of the U.S. Bankruptcy Court:

- a. Order Scheduling Certain Hearing Dates and Establishing Deadlines in Connection with Chapter 11 Plan Process (the "**Scheduling Order**").

17. In connection with the August 13th Order, the Information Officer filed its Eighth Report to the Canadian Court on August 9, 2013 (the "**Eighth Report**"). The August 13th Order also approved the Information Officer's Seventh Report, the Eighth Report and the activities of the Information Officer described therein.

18. On October 9, 2013, on a motion brought by the Applicant, the Canadian Court granted an order (the “**October 9th Order**”) recognizing the following orders of the U.S. Bankruptcy Court:

- i. Order Approving Expense Reimbursement and Related Relief for L-Band Acquisition, LLC and Mast Spectrum Acquisition Company LLC and Related Entities;
- ii. Order (A) Establishing Bid Procedures, (B) Scheduling Date and Time for Auction, (C) Approving Assumption and Assignment Procedures, (D) Approving Form of Notice, and (E) Granting Related Relief (the “**Bid Procedures Order**”); and
- iii. Final Order (I) Approving Compensation for Independent Directors, (II) Authorizing Administrative Expense Priority for Indemnification Claims Arising from Postpetition Services of Independent Directors, and (III) Granting Related Relief.

19. In connection with the October 9th Order, the Information Officer filed its Ninth Report to the Canadian Court on October 4, 2013 (the “**Ninth Report**”). The October 9th Order also approved the Information Officer’s Ninth Report and the activities of the Information Officer described therein.

20. On October 17, 2013, on a motion brought by the Applicant, the Canadian Court granted an order (the “**October 17th Order**”) recognizing the following order of the U.S. Bankruptcy Court:

- a. Order (I) Approving Disclosure Statements, (II) Approving Solicitation and Notice Procedures with Respect to Confirmation of Competing Plans, (III) Approving Forms of Various Ballots and Notices in Connection Therewith, (IV) Approving Scheduling of Certain Dates in Connection with Confirmation of Competing Plans, and (V) Granting Related Relief” (the “**Disclosure and Solicitation Order**”).

21. In connection with the October 17th Order, the Information Officer filed its Tenth Report to the Canadian Court on October 11, 2013 (the “**Tenth Report**”). The October 17th Order also approved the Information Officer’s Tenth Report and the activities of the Information Officer described therein.

22. On January 3, 2014, on a motion brought by the Applicant, the Canadian Court granted an order (the “**January 3rd Order**”) recognizing the following orders of the U.S. Bankruptcy Court:

- i. Order Modifying Previously Scheduled Hearing Dates and Deadlines in Connection with Chapter 11 Plan Process (the “**Modified Scheduling Order**”); and
- ii. Order Amending Amended Agreed Final Order (A) Authorizing Debtors To Use Cash Collateral, (B) Granting Adequate Protection to Prepetition Secured Parties, and (C) Modifying Automatic Stay (the “**Second Amended Cash Collateral Order**”).

23. The schedule for the anticipated plan confirmation was set out in the Modified Scheduling Order and provided that a confirmation hearing would take place on January 9, 2014. The Second Amended Cash Collateral Order was intended to provide sufficient funds for the Chapter 11 Debtors to implement a plan pursuant to which financing would be made available to exit the Chapter 11 Cases.

24. In connection with the January 3rd Order, the Information Officer filed its Eleventh Report to the Canadian Court dated December 23, 2013 (the “**Eleventh Report**”) on December 24, 2013. The January 3rd Order also approved the Information Officer’s Eleventh Report and the activities of the Information Officer described therein.

25. Also on January 3, 2014, on a supplemental motion brought by the Applicant, the Canadian Court granted an order (the “**January 3rd Supplemental Order**”) recognizing the following order of the U.S. Bankruptcy Court:

- a. Order Authorizing LightSquared’s Motion Seeking Approval of LightSquared’s Revised Specific Disclosure Statement and Shortened Time to Object to Confirmation of LightSquared’s Revised Second Amended Plan and Re-Solicitation Thereof (the “**Revised Specific Disclosure Statement and Solicitation Order**”).

26. In connection with the January 3rd Supplemental Order, the Information Officer filed its Twelfth Report to the Canadian Court on January 2, 2014 (the “**Twelfth Report**”). The Applicant is seeking approval of the Twelfth Report and the activities of the Information Officer set out therein in its recognition motion returnable February 5, 2014.

PURPOSE OF THIS REPORT

27. On February 3, 2014, the Foreign Representative served a Motion Record, including a Notice of Motion returnable on February 5, 2014, in these proceedings (the “**February 5th Motion**” or the “**Recognition Motion**”). The Motion Record includes an affidavit of Elizabeth Creary sworn February 3, 2014 (the “**Creary Affidavit**”).

28. The purpose of this thirteenth report of the Information Officer (the “**Thirteenth Report**”) is to provide the Canadian Court with information concerning the Chapter 11 Cases, including:

- a. the Foreign Representative’s request for recognition by the Canadian Court of the following orders (collectively, the “**Foreign Orders**”):

- i. Order Authorizing LightSquared to (A) Enter Into and Perform Under Engagement Letter and (B) Provide Related Indemnities (the “**Engagement Order**”)
 - ii. Final Order (A) Authorizing LP DIP Obligors to Obtain Superpriority Senior Secured Priming Postpetition Financing, (B) Granting Superpriority Liens And Providing Superpriority Administrative Expense Status, (C) Granting Adequate Protection, and (D) Modifying Automatic Stay (the “**LP DIP Order**”); and
 - iii. Second Order Amending Amended Agreed Final Order (A) Authorizing Debtors To Use Cash Collateral, (B) Granting Adequate Protection To Prepetition Secured Parties, and (C) Modifying Automatic Stay (the “**Third Amended Cash Collateral Order**”);
- b. other notable Chapter 11 Orders and Statements; and
 - c. information concerning the activities of the Information Officer since the date of the Twelfth Report (the “**Activities Report**”).

29. The limitations in this paragraph do not apply to the Activities Report in this Thirteenth Report. In preparing this Thirteenth Report, A&M Canada, in its limited capacity as Information Officer, has relied upon documents filed with the Court in these proceedings, documents filed in the Chapter 11 Cases and other information made available to it by the Foreign Representative, the Chapter 11 Debtors and their respective counsel (the “**Parties**”), as appropriate (collectively, the “**Information**”). Based on its limited review and limited interaction with the Parties to date, nothing has come to A&M Canada’s attention that would cause it to question the reasonableness of the Information presented herein. However, to the extent that this Thirteenth Report contains any financial information of the Chapter 11 Debtors (“**Financial Information**”), A&M Canada has not audited, reviewed or otherwise attempted to independently verify the accuracy or completeness of the Financial Information. Accordingly, A&M Canada expresses no opinion or other form of assurance in respect of the Financial Information.

30. All terms not otherwise defined in this Thirteenth Report have the meanings ascribed to them in the Chapter 11 Cases.

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

ENGAGEMENT ORDER

32. On December 24, 2013, LightSquared filed the *Debtors' Second Amended Joint Plan Pursuant to Chapter 11 of Bankruptcy Code* with the U.S. Bankruptcy Court (the "**LightSquared Plan**"). In the Creary Affidavit, the affiant states that the LightSquared Plan is the plan of reorganization selected by the Special Committee that is supported by significant key constituents in the Chapter 11 Cases, as well as independent, third-party investors and that provides payment in full to those constituents who are not supporters of that plan.

33. On January 3, 2014, the Canadian Court recognized and gave full force and effect to the Revised Specific Disclosure Statement and Solicitation Order in respect of the LightSquared Plan.

34. The LightSquared Plan contemplates, among other things, (a) up to \$2.5 billion in senior secured exit facility financing (the "**Exit Facility Financing**" and, such related exit facility the "**Exit Facility**"), (b) a \$250 million senior secured loan, (c) at least \$1.25 billion in new equity contributions, (d) issuance of new debt and equity instruments, (e) the assumption of certain liabilities, (f) the satisfaction in full of all allowed claims and equity interests with cash and other consideration, as applicable, and (g) the preservation of value of certain of Chapter 11 Debtors' litigation claims for the benefit of the Chapter 11 Debtors' stakeholders.

35. On January 17, 2014, the U.S. Bankruptcy Court entered the Engagement Order authorizing LightSquared to (a) enter into and perform under the modified engagement letter (the “**Modified Engagement Letter**”) with J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC and their respective affiliates (the “**Lead Arrangers**”) and (b) provide related indemnities to the Lead Arrangers. The Engagement Order was sought in conjunction with LightSquared’s plan of reorganization to allow the Chapter 11 Debtors to secure Exit Facility Financing.

36. Under the Modified Engagement Letter, and as authorized by the U.S. Bankruptcy Court pursuant to the Engagement Order, the Lead Arrangers will be engaged to structure, arrange, and syndicate the Exit Facility. During the Engagement Period, the Lead Arrangers intend to test the syndication market in an effort to arrange a group of lenders to provide LightSquared with the Exit Facility Financing.

37. In the Creary Affidavit, the affiant summarizes the indemnities that the Chapter 11 Debtors will provide to the Lead Arrangers.

38. The U.S. motion materials for the Engagement Order filed on December 31, 2013 contemplated that LightSquared would request approval at the confirmation hearing for the LightSquared Plan to enter into a commitment letter (the “**Commitment Letter**”) and fee letter (the “**Fee Letter**”) and to incur the attendant obligations to pay any financing fees only upon, among other things, confirmation of the LightSquared Plan and the U.S. Bankruptcy Court’s approval of the Exit Facility Financing. The Engagement Order entered by the U.S. Bankruptcy Court did not refer to the Commitment Letter or the Fee Letter.

39. The Foreign Representative is requesting that the Canadian Court recognize the Engagement Order on the grounds that:

- a. the terms and conditions of the Modified Engagement Letter contained therein are fair and reasonable and that such terms are consistent with the terms of similar engagements of financial institutions in today's marketplace; and
- b. entry into the Modified Engagement Letter will allow the Lead Arrangers to continue the work necessary to ensure that sufficient financing is available to enable all of the Chapter 11 Debtors' estates to successfully exit chapter 11.

40. The Foreign Representative expressed the view that the Exit Facility Financing contemplated by the Modified Engagement Letter is one of the cornerstones of the LightSquared Plan, providing the means for all of the Chapter 11 Debtors' estates to successfully exit chapter 11 in a manner which allows all of the Chapter 11 Debtors' significant stakeholders to share in the success of the reorganization.

LP DIP ORDER

41. To date, the LP Obligors have been funding their businesses through the use of the Prepetition LP Collateral, including Cash Collateral. As part of the Modified Scheduling Order, the confirmation process was originally scheduled to begin on January 9, 2014 (the "**Confirmation Process**") and LightSquared anticipated that the Second Amended Cash Collateral Order, which extended the use of the Cash Collateral to January 31, 2014, would provide sufficient funds for the Chapter 11 Debtors to transition from the Prepetition LP Credit Facility to a new financing facility and to exit the Chapter 11 Cases. Although no formal revised scheduling order has been made, LightSquared is of the view that the Confirmation Process will extend into March 2014.

42. Given that the Confirmation Process in the Chapter 11 Cases is now contemplated to extend into March 2014, the Chapter 11 Debtors stated that they require additional funds for the ongoing operations of the estates and to carry them through to the date an order is entered confirming any chapter 11 plan(s) (the “**Confirmation**”) as the Prepetition LP Lenders’ Cash Collateral is largely depleted.

43. The Chapter 11 Debtors filed a motion (the “**LP DIP Motion**”) dated January 17, 2014 for a postpetition financing proposal from certain members of the ad hoc secured group of Prepetition LP Lenders. At paragraph 36 of the Creary Affidavit, a summary of this proposed financing is provided. The LP DIP Motion was scheduled to be heard before the U.S. Bankruptcy Court on January 31, 2014 but the motion remained contested and the hearing was adjourned to February 4, 2014.

44. Further discussions and negotiations took place following the hearing on January 31, 2014 hearing which resulted in modifications to the proposed LP DIP Facility (the “**Revised LP DIP Facility**”). In the Creary Affidavit, the affiant states that the most significant modifications were as follows: (i) the participation in the LP DIP Facility was expanded to include SP Special Opportunities LLC (“**SPSO**”); and (ii) certain covenants and events of default were removed from the LP DIP Term Sheet. A notice was filed by the Chapter 11 Debtors with the U.S. Bankruptcy Court on the morning of February 3, 2014 containing a revised requested LP DIP Order.

45. Late in the day on February 3, 2013, lawyers for the Foreign Representative advised the Information Officer that a consensus had been achieved on a form of the LP DIP Order and that the matter would likely proceed on consent.

46. On February 4, 2014, the U.S. Bankruptcy Court entered the LP DIP Order, among other things:

- a. authorizing LightSquared LP (the “**LP DIP Borrower**”) to obtain, and each existing and future, direct or indirect, subsidiary of the LP DIP Borrower (collectively, the “**LP DIP Guarantors**” and, together with the LP DIP Borrower, the **LP DIP Obligors**”) to unconditionally guarantee, jointly or severally, the LP DIP Borrowers’ obligations in respect of senior, secured, priming, superpriority postpetition financing (the “**LP DIP Facility**” and, the loans made thereunder the “**LP DIP Loans**”) made available by certain members of the ad hoc group of Prepetition LP Lenders (the “**Ad Hoc LP Secured Group**”) up to an aggregate principal amount of \$33 million plus interest and fees, pursuant to the terms and conditions of the LP DIP Order, including the Budget prepared by the Chapter 11 Debtors and other LP DIP Credit Documents;
- b. authorizing and directing the LP DIP Obligors to execute and deliver, and perform under, (A) the terms of the LP DIP Facility as set forth in the LP DIP Order, (B) the related Notes to be issued in favour of each LP DIP Lender, (C) the related LP DIP Obligor Guaranty and to perform other acts as may be necessary or desirable in connection with the LP DIP Facility;
- c. granting to the LP DIP Lenders allowed superpriority administrative expense claims with priority over all other allowed chapter 11 and chapter 7 administrative expense claims, including the expenses of any chapter 7 trustee or chapter 11 trustee and the adequate protection claims and liens granted to the Prepetition LP Secured Parties under the Final Cash Collateral Order, in each of the LP DIP Obligors’ Chapter 11 Cases in respect of the LP DIP Obligations, subject and subordinate to the LP Carve-out;

- d. granting to the LP DIP Lenders automatically perfected first priority priming security interests in, and liens on, all of the LP DIP Collateral in accordance with the terms set forth in the LP DIP Order;
- e. authorizing the LP DIP Obligors to pay the principal, interest, fees, expenses, and other liabilities and amounts payable under each of the LP DIP Credit Documents, as they become due, in accordance with the LP DIP Order and LP DIP Credit Documents; and
- f. reaffirming and confirming the adequate protection to the Prepetition LP Secured Parties for any Diminution in Value of their respective interests in the Prepetition LP Collateral through April 15, 2014 as provided in the Final Cash Collateral Order.

47. In the Creary Affidavit, the affiant states that the ability of the Chapter 11 Debtors to ensure a value-maximizing exit from bankruptcy requires the availability of capital from the Revised LP DIP Facility. Without such funds, the Chapter 11 Debtors will not have sufficient available sources of capital and financing to operate its businesses and maintain its properties in the ordinary course of business to the end of its plan confirmation process and thus be able to complete an orderly exit from these Chapter 11 Cases.

48. The affiant further states that to prevent the unfettered use of the proceeds of the Revised LP DIP Facility, the LP DIP Obligors have agreed to use such proceeds in accordance with the LP DIP Budget developed by the LP DIP Obligors and their financial advisors. The LP DIP Obligors believe that the LP DIP Budget is achievable and will allow the LP DIP Obligors to operate without the accrual of unpaid administrative expenses.

49. The Foreign Representative is of the view that:

- a. with the removal of the milestones and the plan-related affirmative and negative covenants, the Revised DIP Facility is truly plan-neutral, is not tied to the success of any one plan filed in these Chapter 11 Cases, and

provides the LP DIP Obligors with appropriate flexibility. Regardless of which plan is ultimately confirmed, the LP DIP Lenders have agreed to provide the necessary funds that Chapter 11 Debtors needs under any circumstances;

- b. the Revised Proposal offers an interest rate around which consensus amongst the greatest amount of Prepetition LP Lenders could be gathered. Although such rate (15%) is slightly higher than that contemplated in the Fortress Proposal (LIBOR+8%), the resulting economic spread between the Fortress Proposal and the Revised Proposal of approximately \$407,700 is negligible, especially when such spread enabled the Ad Hoc LP Secured Group, Fortress and SPSO to agree to participate in the Revised LP DIP Facility together;
- c. the LP DIP Obligors considered that, having already been an integral part of the LP DIP Obligors' capital structure throughout the Chapter 11 Cases as the Chapter 11 Debtors' senior creditors, the LP DIP Lenders have a substantial base of knowledge with respect to the LP DIP Obligors' businesses, corporate and capital structure, and collateral, which enabled each of them to act with the speed necessitated by the LP DIP Obligors' liquidity needs; and
- d. although the Revised LP DIP Facility is a priming debtor-in-possession facility, the LP DIP Lenders, as significant Prepetition LP Lenders, have consented to such priming, and the remaining Prepetition LP Lenders are adequately protected pursuant to the Order Amending Cash Collateral Order.

50. The Foreign Representative requests that the Canadian Court recognize the LP DIP Order, as the terms and conditions contained in the LP DIP Order are fair and reasonable and in the best interests of the LP Obligors' estates and creditors.

THIRD AMENDED CASH COLLATERAL ORDER

51. In connection with the Revised LP DIP Facility, the LP Obligors required authorization from the U.S. Bankruptcy Court to use the Cash Collateral of the Prepetition LP Lenders. Such relief was also necessary to ensure that the LP Obligors can (i) address working capital needs, (ii) fund reorganization efforts and (iii) continue to operate in the ordinary course during the Chapter 11 Cases.

52. Pursuant to the Initial Cash Collateral Order, the LP Obligors were originally permitted to consensually use the Prepetition LP Lenders' Cash Collateral through June 13, 2013. Such date was extended to January 31, 2014 pursuant to the First Amended Cash Collateral Order and the Second Amended Cash Collateral Order. The Prepetition LP Lenders consented to the use of the Cash Collateral until February 4, 2014, the date of the LP DIP Order hearing.

53. In the Creary Affidavit, the affiant states that as a consequence of certain circumstances in the Chapter 11 Cases, the Confirmation Process is now anticipated to extend into March 2014 which is after the date upon which the consensual use of the Prepetition LP Lenders' Cash Collateral is currently set to expire.

54. On February 4, 2014, simultaneously with the entry of the LP DIP Order, the U.S. Bankruptcy Court entered the Third Amended Cash Collateral Order, which, among other things, authorizes the Chapter 11 Debtors' use of the Cash Collateral of the Prepetition Secured Parties (as such term is defined in the Initial Cash Collateral Order) through and including April 15, 2014, permits the Chapter 11 Debtors to continue to make Adequate Protection Payments and provides adequate protection to the Prepetition Secured Parties for any diminution in value of their interests in the Prepetition Collateral.

55. The Foreign Representative is of the view that the Canadian Court should recognize the Third Amended Cash Collateral Order as:

- a. it is appropriate and necessary for the protection of the Chapter 11 Debtors' property and the interests of their creditors and other stakeholders;
- b. the LP Obligors, at the direction of the Special Committee, have determined, in the exercise of their business judgment and in consultation with the Chapter 11 Debtors' financial advisor, Moelis & Company LLC ("Moelis" or the "**Financial Advisor**"), that they require the use of Cash Collateral to successfully exit from chapter 11;
- c. the LP Obligors have agreed to continue to use Cash Collateral in accordance with a Budget developed by the Chapter 11 Debtors, in consultation with Moelis;
- d. the Budget is achievable and will continue to allow the LP Obligors to operate without the accrual of unpaid administrative expenses and will continue to adequately protect the Prepetition LP Agent and the Prepetition LP Lenders from diminution in the value of their interests in the Cash Collateral;
- e. since July 1, 2012, pursuant to the Initial Cash Collateral Order, the First Amended Cash Collateral Order, and the Second Cash Collateral Order the LP Obligors have at all times paid the Prepetition LP Agent, for the benefit of the Prepetition LP Lenders, a monthly cash interest payment in the amount of \$6,250,000 (the "**Adequate Protection Payments**"). The LP Obligors have sufficient funds to make such Adequate Protection Payments to the Prepetition LP Agent for the benefit of the Prepetition LP Lenders into March 2014 provided the LP DIP Facility is approved and advanced;

- f. to date, the LP Obligors have paid to the Prepetition LP Agent for the benefit of the Prepetition LP Lenders an aggregate amount of \$164.3 million in Adequate Protection Payments; and
- g. the only alternative to the LP Obligors' use of Cash Collateral – the immediate liquidation of their assets – would be catastrophic for both the Chapter 11 Debtors and the Prepetition LP Lenders given that an orderly conclusion to these Chapter 11 Cases is well within sight.

OTHER NOTABLE CHAPTER 11 ORDERS AND STATEMENTS

Inc. DIP Order

56. On January 23, 2014, LightSquared issued a third notice of amendment to the DIP Agreement (the “**Third Amended (INC) DIP Order**”). The first notice was issued on December 7, 2012 and the second notice was issued on February 6, 2013.

57. In accordance with paragraph 12 of the Final DIP Order, the Inc. Obligors will further amend the DIP Agreement with respect to certain funding dates and milestones contained in the DIP Agreement. The Third Amended (INC) DIP Order allows the Inc. Obligors to continue to use the proceeds of the DIP Facility and the Prepetition Inc. Collateral on a consensual basis through and including March 31, 2014. The Foreign Representative has not and is not expected to seek recognition of this Order.

58. As previously indicated in the Fourth Report, the financing authorized by the Final DIP Order does not affect the Canadian Debtors or assets held by the Canadian Debtors.

Statement From The Federal Communications Commission

59. On January 17, 2014, the United States of America, on behalf of the Federal Communications Commission (the “**FCC**”) filed a statement (the “**FCC Statement**”) regarding

the FCC Exit Condition included in the Chapter 11 Debtors' Revised Second Amended Plan filed on December 31, 2013. The FCC advised that the FCC Statement was submitted for the purpose of assisting the U.S. Bankruptcy Court in its evaluation of the FCC Exit Condition in the Revised Second Amended Plan, including the timing of the approvals described therein. The FCC Statement states that FCC staff have reviewed the FCC Exit Condition and its description and that the FCC is not in a position to confirm or provide any assurances whether it will be able to complete the work required to act on each of the six conditions specified in the FCC Exit Condition before December 31, 2014, being the Revised Second Amended Plan's Effective Date deadline.

ACTIVITIES OF THE INFORMATION OFFICER

60. The activities of the Information Officer since the date of the Twelfth Report have included:

- a. reviewing the Motion Record in respect of the February 5th Motion, reviewing and monitoring the materials filed in the Chapter 11 Cases and discussions with its counsel, Goodmans, and with counsel for the Foreign Representative regarding same;
- b. updating the Information Officer's website at www.amcanadadocs.com/lightsquared to make available copies of the Twelfth Report, Recognition Orders and motion materials; and
- c. preparing this Thirteenth Report and discussions with Goodmans regarding same.

61. The Applicant is seeking approval of the Twelfth Report and the activities of the Information Officer set out therein. Because of the timing of the service of materials for this motion, and the resultant shortening of time for the service of this Thirteenth Report, the Court's

approval of this Report is not being sought at this hearing but is requested to be deferred to a later hearing.

RECOMMENDATION

62. The Information Officer understands that the secured creditors registered against the Canadian Chapter 11 Debtor entities have been given notice of the Recognition Motion and are notice parties in the Chapter 11 Cases.

63. Based on its review of the materials, as described in this Thirteenth Report, the Information Officer understands that the Foreign Orders sought to be recognized and approved in the Recognition Motion are necessary for the protection of the Chapter 11 Debtors' property and the interest of their creditors.

64. The Information Officer concurs with the Foreign Representative's assessment of the conclusions related to the Foreign Orders, and the grounds supporting the recognition of the Foreign Orders, as summarized in the Creary Affidavit.

65. Based on the foregoing, the Information Officer respectfully recommends that this Honourable Court grant the relief sought by the Foreign Representative in the Recognition Motion.

ALL OF WHICH IS RESPECTFULLY SUBMITTED at Toronto, Ontario this 4th day of February, 2014.

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

**THIRTEENTH REPORT OF
INFORMATION OFFICER
(Dated February 4, 2014)**

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