

**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 TWENTY-FOURTH REPORT OF THE  
INFORMATION OFFICER**

**ALVAREZ & MARSAL CANADA INC.**

**April 8, 2015**

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## INTRODUCTION

1. Alvarez & Marsal Canada Inc., in its capacity as Information Officer, filed with this Court the twenty-fourth report of the Information Officer dated April 6, 2015 (the “**Twenty-Fourth 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**”) is seeking recognition of by this Court by way of a motion served April 2, 2015 returnable on April 9, 2015; (ii) additional relief sought by the Foreign Representative related to the implementation of the Modified Second Amended Plan; (iii) the Chapter 11 Debtors’ Modified KEIP Order; and (iv) a summary of activities of the Information Officer to April 6, 2015.

2. On April 6, 2015, the Foreign Representative served a Motion Record in these proceedings, including an Amended Notice of Motion returnable on April 9, 2015 (the “**Amended April 9<sup>th</sup> Motion**” or the “**Recognition Motion**”). The Motion Record includes a supplemental affidavit of Elizabeth Creary sworn on April 6, 2015 (the “**Supplemental Creary Affidavit**”).

## PURPOSE OF THIS REPORT

3. The purpose of this supplemental report to the Twenty-Fourth Report (the “**Supplemental Report**”) is to provide the Canadian Court with information concerning the Foreign Representative’s request for recognition by the Canadian Court of the *Order Amending Final Order (A) Authorizing DIP Obligors to Obtain Eighth Replacement 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* entered by the U.S. Bankruptcy Court on April 7, 2015 as Docket Number 2300 (the “**Amended Eighth Replacement DIP Order**”).

4. The Foreign Representative expects to file a supplemental affidavit with the Canadian Court attaching as an exhibit a copy of the Amended Eighth Replacement DIP Order and the Cash Collateral Extension Order (which has not been entered as at the time of writing this Supplemental Report) as entered by the U.S. Bankruptcy Court and identifying any material changes from the draft Cash Collateral Extension Order previously served.

5. In preparing this Supplemental 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 Supplemental 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.

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

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

## **AMENDED EIGHTH REPLACEMENT DIP ORDER**

### **Background**

8. As previously reported to this Honourable Court, throughout these Chapter 11 Cases, the LP Obligors have been funding their businesses through the use of Prepetition LP Collateral, including Cash Collateral (as such term is defined in section 363 of the Bankruptcy Code (the “**Cash Collateral**”)) and the proceeds of debtor-in-possession financing (“**DIP Financing**”), including the most recent Eighth Replacement DIP Order and Twelfth Amended Cash Collateral Order. The Eighth Replacement DIP Order and Twelfth Amended Cash Collateral Order were entered by the U.S. Bankruptcy Court on January 30, 2015 and recognized by the Canadian Court on February 2, 2015. The Eighth Replacement DIP Order and Twelfth Amended Cash Collateral Order provided DIP Financing to the LP Obligors through to at least April 30, 2015 to allow the Chapter 11 Debtors with sufficient time and liquidity to seek and obtain confirmation of a plan of reorganization.

9. The Eighth Replacement DIP Order approved the Eighth Replacement DIP Facility, which, among other things, (a) provides the LP DIP Obligors (as defined in the Eighth Replacement DIP Order), through an initial draw, with financing through to April 30, 2015, and (b) if the Conditions to Combined Delayed Draw Funding are met, will provide additional financing to the LP DIP Obligors and the Inc. DIP Obligors (as defined in the Eighth Replacement DIP Order, and together with the LP DIP Obligors, the “**DIP Obligors**”) and to fund their operations and the administration of the Chapter 11 Cases through December 30, 2015 and repay in full, in cash, the DIP Inc. Facility.

10. As previously described to this Court, the Eighth Replacement DIP Facility contemplates a combination of debtor-in-possession financing facilities advanced to the Inc. DIP Obligors and

the LP DIP Obligors into one debtor-in-possession financing facility to be secured by all of the DIP Obligors' assets once the Conditions to Combined Delayed Draw Funding are met – resulting in, among other things, a cross-collateralization that will allow the DIP Lenders to resort to the collateral of the LP DIP Obligors to the extent the Inc. DIP Obligors' collateral is insufficient to repay the Inc. DIP obligations, and *vice-versa*.

11. The Eighth Replacement DIP Facility contemplates multiple stages of borrowing. If the Conditions to Combined Delayed Draw Funding are met, these stages include:

- a. the initial loans to the LP Obligors in the amount of \$285 million (the “**Initial DIP Loans**”) to fund their operations and the administration of their Chapter 11 Cases, including to provide sufficient time and liquidity to seek and obtain confirmation of a plan of reorganization by April 30, 2015;
- b. once the Conditions to Combined Delayed Draw Funding are met, further loans in the amount of \$155 million to the LP Obligors to fund their operations and the administration of the their Chapter 11 Cases through December 30, 2015 (the “Delayed Draw Tranche A Loans”, and together with the Initial DIP Loans, the “**Tranche A Loans**”); and
- c. once the Conditions to Combined Delayed Draw Funding are satisfied, loans to Inc. DIP Obligors in the aggregate principal amount of \$210 million (the “**Tranche B Loans**”), through the conversion on a dollar-for-dollar basis, to be used to pay off all outstanding DIP Inc. Claims, including the \$41 million of DIP Inc. Claims to be purchased by SIG.

12. On March 17, 2015, the New Investors provided their written consent (the “**New Investor Consent**”) for the incurrence of the Tranche B Loans in accordance with the Eighth Replacement DIP Facility Order, subject to certain modifications to the Eighth Replacement DIP Facility Order. The New Investor Consent is a Condition to Combined Delayed Draw Funding.

### **Amendments to the Eighth Replacement DIP Order**

13. On April 1, 2015, the Chapter 11 Debtors filed a notice of presentment dated April 1, 2015 seeking the entry of the Amended Eighth Replacement DIP Order.
14. The Amended Eighth Replacement DIP Order contemplates certain material amendments to the Eighth Replacement DIP Order which, primarily, introduce intercompany claims related to the cross-collateralization provided by the terms of the Eighth Replacement DIP Order. Such intercompany claims between the Inc. estate and the LP estate will constitute an administrative expense claim, senior to all administrative expenses and unsecured claims, but junior to all DIP claims and secured by a priming lien on all of the LP Debtors' or Inc. Debtors' assets, as applicable.
15. The Inc. Intercompany Claim (against the LP DIP Obligors) shall be an amount equal to the lesser of (i) the amount of the Tranche A Loans (including all interest, fees and other accrued obligations thereon) repaid with proceeds of the sale or liquidation of the Inc. DIP Collateral, and (ii) the Inc. Estate Deficiency.
16. The LP Intercompany Claim (against the Inc. DIP Obligors shall be an amount equal to the lesser of (i) the amount of the Tranche B Loans (including all interest, fees and other accrued obligations thereon) repaid with proceeds of the sale or liquidation of the LP DIP Collateral, and (ii) the LP Estate Deficiency.
17. In each case, the amount of the Deficiency is, for the estate that is called upon under the cross-collateralization to satisfy the DIP obligations of the other estate, the shortfall in the proceeds from the collateral in the estate having the Intercompany Claim as compared to that estate's pre-petition secured obligations after satisfying all DIP obligations.

18. As an example, with respect to the DIP obligations of LightSquared LP (which included the Canadian Chapter 11 Debtors), in the event that the DIP Facility is called after the Tranche A Loans have been advanced and the LP DIP Collateral is insufficient to repay in full the LP DIP Obligations under the Initial DIP Loans and the Tranche A Loans, the DIP Lenders would be able to recover the shortfall on the Tranche A Loans from the Inc. DIP Collateral through the guaranty and cross-collateralization already provided for under the Eighth Replacement DIP Order that was recognized by this Honourable Court on February 2, 2015. The Amended Eighth Replacement DIP Order now provides that to the extent that the Inc. DIP Collateral is used to repay the LP DIP Obligations, the Inc. estate will have the benefit of an intercompany administrative expense claim against the LP estate that would rank in priority to the Prepetition LP obligations but junior to any outstanding DIP amounts.

19. This administrative priority claim by the Inc. estate against the LP estate would be for the lesser of the amount paid from the Inc. DIP Collateral and the amount of Inc.'s resulting shortfall on its prepetition claims and secured by a priming lien on all of the LP Debtors' or Inc. Debtors' assets, as applicable. Accordingly, the new intercompany claim in favour of the Inc. estate will not increase the total amount of secured obligations of the LP estate pursuant to the Eighth Amended DIP Order.

20. As such, the LightSquared LP unsecured creditors are not prejudiced by an Inc. Intercompany Claim as the claim does not increase the amount of the LP DIP Obligations that rank in priority to the LP unsecured creditors.

21. In addition, the New Investor Consent is a Condition to Combined Delayed Draw funding and is, itself, conditioned on entry of the Amended Eighth Replacement DIP Order. Therefore, the Amended Eighth Replacement DIP Order is required for (a) the Conditions to Combined



Delayed Draw Funding to be met, and (b) funding of the Delayed Draw Tranche A DIP Loans and Tranche B DIP Loans to occur.

### **Recognition of the Amended Eighth Replacement DIP Order**

22. In the Supplemental Creary Affidavit, the affiant states that the Eighth Replacement DIP Facility is the best and only currently committed financing of the LP estates. It provides capital to LightSquared through to consummation of the Modified Second Amended Plan at a much lower cost than any other alternatives.

23. The Foreign Representative is of the view that the Amended Eighth Replacement DIP Order should be recognized by the Canadian Court as the Eighth Replacement DIP Facility is a necessary and integral component of the Modified Second Amended Plan. The Modified Second Amended Plan provides for the payment in full, including postpetition interest, of all general unsecured creditors including Canadian unsecured creditors. In the absence of the Modified Second Amended Plan, and the corresponding amended Eighth Replacement DIP Facility, it is expected that there would be no distributions to such creditors.

24. As noted in the Supplemental Creary Affidavit, Judge Chapman, in her reasons given on March 26, 2015, found that (a) the Modified Second Amended Plan enables the Chapter 11 Debtors to unlock significant value by combining the assets of both of the Inc. and LP estates and (b) but for the contributions contemplated by the Modified Second Amended Plan, those creditors senior to the unsecured creditors would not be paid in full and there would be no value flowing to any of the unsecured creditors. The affiant further states that the Amended Eighth Replacement DIP Order is not prejudicial to the unsecured creditors of the LP estates. The Eighth Replacement DIP Facility is part and parcel of the Modified Second Amended Plan,

which is the only avenue pursuant to which the unsecured creditors, including Canadian unsecured creditors, will receive payment, in full, on account of their claims.

25. The Foreign Representative is also of the view that the Amended Eighth Replacement DIP Order should be recognized by this Honourable Court as the terms and conditions contained in the order are fair and reasonable and in the best interests of the LightSquared estates.

26. If the Amended Eighth Replacement DIP Order is not recognized in Canada, the Chapter 11 Debtors submit that LightSquared will face an emergency liquidity crisis and the consummation of the Modified Second Amended Plan will be put at risk, potentially impairing the recoveries to, among others, the unsecured creditors of the Canadian estates.

#### **UPDATE ON CASH COLLATERAL EXTENSION ORDER**

27. The Information Officer attended the U.S. Bankruptcy Court hearing of the motion for the Cash Collateral Extension Order via telephone on April 7, 2015 (the “**April 7<sup>th</sup> Hearing**”). In their motion record, the Chapter 11 Debtors stated that all Prepetition Secured Parties other than SPSO had consented to the Chapter 11 Debtors continued use of the Prepetition Collateral, including Cash Collateral, on the terms set forth in the Cash Collateral Extension Order.

28. At the April 7<sup>th</sup> Hearing, counsel for SPSO presented its arguments in support of a limited objection to the Cash Collateral Extension Order. During the April 7<sup>th</sup> Hearing, it was agreed that SPSO’s objection would be resolved by way of an amendment to the Cash Collateral Extension Order allowing SPSO to reserve its rights to the Effective Date of the Chapter 11 Debtors’ Modified Second Amended Plan.

29. By reference made at the April 7<sup>th</sup> Hearing, the Information Officer understands that the draft Cash Collateral Extension Order will be amended to include the reservation of rights for SPSO as well as certain other changes requested by the Chapter 11 Debtors and that the Order is

anticipated to be entered by consent of all parties on April 8, 2015. At the conclusion of the April 7<sup>th</sup> Hearing, the necessary amendments had not been drafted.

30. As the final Cash Collateral Extension Order had not been entered at the time of writing of this Supplemental Report, the Information Officer was not able to review the amendments made in the final Cash Collateral Extension Order. However, the Information Officer is not aware of any amendments that would be of concern to the Canadian Court and will provide an oral update, if necessary, based on the entered order at the Recognition Hearing to be held before this Honourable Court on April 9, 2015.

### **RECOMMENDATION**

31. 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.

32. Based on its review of the materials, as described in this Supplemental Report, the Information Officer understands that the Foreign Order sought to be recognized and approved in the Recognition Motion, including the additional relief, is necessary for the protection of the Chapter 11 Debtors' property and the interests of their creditors. The terms of the Recognition Order being sought are appropriate in the circumstances. The Information Officer does not believe that the relief sought in the Recognition Motion is contrary to Canadian public policy. 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 8<sup>th</sup> day of April, 2015.

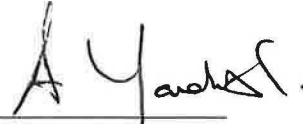
**ALVAREZ & MARSAL CANADA INC.**  
in its capacity as the Information Officer of  
LightSquared LP and not in its personal or corporate capacity

Per:



John J. Walker  
Senior Vice President

Per:



Andrea Yandreski  
Vice President

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 TWENTY-  
FOURTH REPORT OF  
INFORMATION OFFICER  
(Dated April 8, 2015)**

**GOODMANS LLP**

Barristers & Solicitors  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, ON M5H 2S7

Jay A. Carfagnini (LSUC#: 22293T)  
Tel: 416. 597.4107

Brian F. Empey (LSUC# 30640G)  
Tel: 416.597.4194

Fax: 416.979.1234

Lawyers for the Information Officer