

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re: : Chapter 11
: :
: : Case No. 09-12659 ()
PROTOSTAR LTD., et al.,¹ : :
: : Joint Administration Requested
: :
Debtors. : :
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**DECLARATION OF CYNTHIA M. PELINI IN SUPPORT OF
PROTOSTAR'S CHAPTER 11 PETITIONS AND VARIOUS
FIRST DAY APPLICATIONS AND MOTIONS**

I, Cynthia M. Pelini, hereby declare under penalty of perjury:

1. I have been employed by ProtoStar Satellite Systems, Inc. ("PSS"), a subsidiary and service provider to ProtoStar Ltd. and its affiliated debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, "ProtoStar"), since October 1, 2008. From October 1, 2008 until October 31, 2008, I served as the Vice President of Finance of PSS and its affiliates. In this capacity I reported to the Chief Financial Officer and was responsible for the integration of internal and external financial processes and special projects of a financial nature. On November 1, 2008, I was elevated to Chief Financial Officer of PSS and was similarly appointed as Chief Financial Officer of each of the ProtoStar entities. In this current capacity, I have been responsible for overseeing ProtoStar's treasury, cash management, financial reporting, forecasting and credit compliance functions, and I am familiar with ProtoStar's day-to-day operations, businesses and financial affairs.

¹ The ProtoStar entities, along with the last four digits of their respective federal tax identification numbers, are as follows: ProtoStar Ltd. (4245), ProtoStar I Ltd. (1042), ProtoStar II Ltd. (1244), ProtoStar Satellite Systems, Inc. (2615), ProtoStar Development Ltd. (none) and ProtoStar Asia Pte. Ltd. (none). The mailing address for ProtoStar is 100 California Street, Suite 700, San Francisco, CA 94111.

2. Concurrently with the filing of this declaration (the “Declaration”) on the date hereof (the “Petition Date”), each of the ProtoStar entities has filed in this Court a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the “Bankruptcy Code”). Contemporaneously with the commencement of and in furtherance of these chapter 11 cases, ProtoStar Ltd., ProtoStar I Ltd. (“PS I”), ProtoStar II Ltd. (“PS II”) and ProtoStar Development Ltd. (“PSD,” and together with ProtoStar Ltd., PS I and PS II, the “Bermuda Group”) have commenced or will commence a coordinated proceeding in the Supreme Court of Bermuda. The Bermuda Group has or will be petitioning the Supreme Court of Bermuda to issue an order appointing John C. McKenna of Finance & Risk Services Ltd. as provisional liquidator (the “Provisional Liquidator”) of the Bermuda Group. The Provisional Liquidator will seek authority from the Supreme Court of Bermuda to oversee the Bermuda Group under the control of its Board of Directors and under the supervision of the Supreme Court of Bermuda and this Court in the administration of ProtoStar’s chapter 11 cases.

3. To operate effectively and minimize certain of the potential adverse effects of the commencement of these chapter 11 cases, ProtoStar has requested certain relief in “first day” applications and motions filed with the Court (collectively, the “First Day Pleadings”). The First Day Pleadings, described below, seek, among other things, to (a) ensure the continuation of ProtoStar’s cash management system and other business operations without interruption, (b) allow use of cash collateral in and debtor in possession financing of the operation of the businesses, (c) preserve valuable relationships with suppliers and customers, (d) maintain employee morale and confidence and (e) establish certain other administrative procedures to promote a seamless transition into chapter 11. This relief will be critical to ProtoStar’s restructuring efforts.

4. I submit this Declaration to assist the Court and other parties in interest in understanding the circumstances that compelled the commencement of these chapter 11 cases and in support of ProtoStar's petitions for relief under the Bankruptcy Code and the First Day Pleadings. Any capitalized term not defined herein shall have the meaning ascribed to that term in the relevant First Day Pleading. Except as otherwise indicated herein, all facts set forth in this Declaration are based on my personal knowledge, my discussions with other members of ProtoStar's senior management, my review of relevant documents or my opinion based on my experience, knowledge and information concerning ProtoStar's operations and financial condition. If called upon to testify, I could and would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of ProtoStar.

5. Parts I through III of this Declaration provide an overview of the businesses, organizational structure and capital structure of ProtoStar. Part IV provides an overview of the circumstances leading to the commencement of these chapter 11 cases and Part V summarizes the First Day Pleadings.

I. ProtoStar's Business Operations

6. Satellite Provider. ProtoStar is a satellite operator that was formed in 2005 to acquire, modify, launch and operate high-power geostationary (i.e., fixed with respect to a given point on Earth) communication satellites optimized for direct-to-home ("DTH") satellite television and broadband internet access across the Asia-Pacific region. ProtoStar's business plan seeks to develop a constellation of high-powered geostationary satellites to lease satellite capacity to DTH and broadband service providers located in Asia within the coverage area of ProtoStar's satellites. ProtoStar's satellites and satellite network are designed to meet the needs of DTH service providers and allow ProtoStar to offer a unique combination of services.

7. Since its formation, ProtoStar has successfully developed and launched two Satellites (as defined below). To support these efforts, ProtoStar raised nearly \$500 million in debt and equity financing and marketed the transponders on each of the Satellites to receptive DTH service providers throughout each Satellite's respective coverage areas. ProtoStar's value proposition lies in allowing its DTH service provider customers to avoid allocating the large capital expenditure investments required to launch their own satellites and instead focus their efforts on the business of DTH services -- namely procuring set-top-boxes ("STB") and programming, retaining subscribers, providing ongoing customer care and managing their businesses. ProtoStar's target customers include privately-owned broadcasting networks, cable television programmers, DTH operators and private telecommunications networks.

8. Satellites. Currently, ProtoStar operates two geostationary satellites, the ProtoStar I Satellite (the "PS I Satellite"), which is owned by PS I, and the ProtoStar II Satellite (the "PS II Satellite," and together with the PS I Satellite, the "Satellites"), which is owned by PS II.

9. The PS I Satellite was launched on July 7, 2008 and successfully completed in-orbit testing. The PS I Satellite is equipped with twenty-two 36 MHz equivalent Ku-band and thirty-eight 36 MHz equivalent C-band transponders. The PS I Satellite provides Ku-band coverage for digital DTH services, high-definition television and broadband internet to under-served areas from Southeast Asia to the Middle East. A portion of the Ku-band transponders are aimed at the Indian subcontinent, with the remainder aimed at the Southeast Asia region. The C-band transponders enable ProtoStar to provide cellular backhaul, traditional last mile telecom and basic broadcasting services.

10. The PS I Satellite currently sits in an orbital slot located at 98.35°EL (the “PS I Orbital Slot”), pursuant to that certain agreement, dated as of August 6, 2008 (the “PS I Concession Agreement”), between PS I and the Intersputnik International Organization of Space Communications (“Intersputnik”). Intersputnik obtained rights to the PS I Orbital Slot under an agreement with one of its sponsoring governments, the Republic of Belarus. The footprint of the PS I Satellite was customized to meet the immediate and long-term needs of Agrani Satellite Services Limited (“Agrani”), an anchor DTH-operator customer, from an orbital slot that provides coverage to an area with a population of over 2 billion. Telemetry, tracking and control services (“TT&C”) for the PS I Satellite are provided under a contract PS I has with Singapore Telecommunications Ltd., a Singaporean telecommunications firm. As described in greater detail below, ProtoStar is not currently providing transponder capacity on the PS I Satellite to customers due to the purported termination of the PS I Concession Agreement by Intersputnik. Prior to discussions with the PS I DIP Lenders (as defined below) concerning the possible sale of the PS I Satellite, ProtoStar had been engaged in active negotiations to procure an alternative sponsoring government or an alternative orbital slot to which the PS I Satellite could be relocated to provide capacity to customers.

11. ProtoStar launched a second satellite, the PS II Satellite, on May 16, 2009, into the orbital slot located at 107.35°EL. Following the successful completion in-orbit testing, the PS II Satellite was moved to the orbital slot located at 107.7°EL, where it is likely to remain for its useful life, unless and until a new buyer determines otherwise.

12. The PS II Satellite features high-powered capacity and will significantly expand ProtoStar’s capacity throughout the Asia-Pacific region. With the addition of the PS II Satellite to its fleet, ProtoStar is able to provide optimized DTH satellite television service and

broadband internet access across the Asia-Pacific region, reaching billions of people in India, Indonesia, Taiwan, the Philippines and Southeast Asia. TT&C for the PS II Satellite is provided by an affiliate of the PS II Satellite's anchor customer, PT Media Citra IndoStar and PT MNC Skyvision of Jakarta, Indonesia (commercially known as "Indovision"), the largest DTH satellite television service operator in Indonesia. The PS II Satellite became operational on or about June 17, 2009 and has already generated approximately \$2.0 million in revenue under ProtoStar's contract with Indovision.

13. For the fiscal year ending December 31, 2008, ProtoStar generated approximately \$3.1 million in revenues. As of December 31, 2008, ProtoStar's consolidated financial statements, which includes non-debtor affiliates, reflected assets totaling approximately \$528 million (book value) and liabilities totaling approximately \$463 million.

II. Organizational Structure

14. A corporate organization chart depicting the structure of ProtoStar's corporate family, including its non-debtor affiliates and principal prepetition indebtedness at issue, is attached to this Declaration as Exhibit A. ProtoStar Ltd. is the direct parent company of each of the other ProtoStar entities. Each of the ProtoStar entities is a privately owned entity and equity securities in ProtoStar entities are not listed or traded on any public exchange or market.

15. As of July 22, 2009, ProtoStar employed approximately 22 salaried employees, 16 of whom are employed by PSS (the "PSS Employees") and six (6) of whom (the "PSA Employees", and together with the PSS Employees, the "Employees") are employed by ProtoStar Asia Pte. Ltd ("PSA").

16. PSS maintains its corporate headquarters at 100 California Street, Suite 700, San Francisco, California 94111. ProtoStar Ltd., PS I, PS II and PSD are headquartered in Bermuda. PSA is headquartered in Singapore.

III. Prepetition Indebtedness

17. Working Capital Facility. ProtoStar Ltd. and PS I are parties to that certain Credit Agreement, dated as of March 28, 2007 (as amended by Amendment No. 1, dated as of July 5, 2007, Amendment No. 2, dated as of February 23, 2009, and Amendment No. 3, dated as of May 29, 2009, and as otherwise amended, restated, or supplemented, the “WC Agreement”), among PS I, as borrower, ProtoStar Ltd., as guarantor, the lenders from time to time party thereto (collectively, the “WC Lenders”), The Bank of New York Mellon (as successor to The Bank of New York, “BNYM”), as first lien collateral agent (the “Prepetition First Lien Collateral Agent”), and Canyon Capital Advisors LLC (“Canyon”), as administrative agent for the WC Lenders. The WC Agreement and all obligations under the WC Agreement are secured by first priority liens, subject to any permitted liens, against, and security interests in (i) substantially all of the assets of PS I and (ii) the equity interests of PS I held by ProtoStar Ltd (collectively, the “PS I Collateral”) and the proceeds thereof. The obligations under the WC Agreement are unsecured against ProtoStar Ltd., other than ProtoStar Ltd.’s pledge of its equity interests in PS I as described above. As of the Petition Date, the outstanding principal balance under the WC Agreement was \$10,000,000. Upon information and belief, the outstanding principal balance under the WC Agreement is currently held by certain of the Secured Noteholders (as defined below).

18. PS I Secured Notes. PS I issued \$160,000,000 of 12.5% Senior Secured Convertible Notes due 2012 (the “12.5% Secured Notes” and the holders thereof, from time to

time, the “12.5% Noteholders”), pursuant to that certain indenture, dated as of September 28, 2006 (as amended by the Supplemental Indenture, dated as of February 23, 2009, and as otherwise amended, modified and supplemented from time to time, the “Secured Notes Indenture”), between PS I, as issuer, ProtoStar Ltd., as guarantor, and BNYM, as indenture trustee (the “Indenture Trustee”). BNYM also acts as collateral agent under the Guarantee and Security Agreement, dated as September 28, 2006 (as amended, modified and supplemented from time to time), among PS I, ProtoStar Ltd., as guarantor, and BNYM (the “Prepetition Secured Notes Collateral Agent”). The obligations under the Secured Notes (as defined below) are secured by liens, subject to permitted liens, against, and a security interest in, the PS I Collateral. The obligations under the Secured Notes are unsecured against ProtoStar Ltd., other than ProtoStar Ltd.’s pledge of its equity interests in PS I as described above. On February 23, 2009, PS I offered the 12.5% Noteholders the opportunity to exchange the 12.5% Secured Notes for new notes (with the same collateral package) bearing interest at 18.0% (the “18.0% Secured Notes,” and together with the 12.5% Secured Notes, the “Secured Notes,” and the holders thereof, from time to time, the “18.0% Noteholders,” and together with the 12.5% Noteholders, the “Secured Noteholders”). As of the Petition Date, the outstanding principal amount of the Senior Secured Notes was approximately \$182.7 million.

19. Intercreditor Agreement. ProtoStar Ltd. and PS I are party to that certain Intercreditor Agreement (the “Intercreditor Agreement”), dated as of September 28, 2006, by and among PS I, ProtoStar Ltd., the Prepetition First Lien Collateral Agent and the Prepetition Secured Notes Collateral Agent, which, among other things, describes the relative priorities of the liens granted for the ratable benefit of the WC Lenders and Secured Noteholders with respect to the PS I Collateral.

20. Credit Suisse Facility. ProtoStar Ltd. is party to that certain Facility Agreement (as amended, restated, or supplemented, the “CS Facility,” and together with the Secured Notes Indenture and the WC Agreement, the “Prepetition Secured Facilities”), dated as of March 19, 2008, among ProtoStar Ltd., as borrower, PS II, PSD and PSS, as guarantors, Credit Suisse, Singapore Branch, as Arranger, Agent, Security Agent, Calculation Agent and Account Bank (in its separate legal roles as Agent, Security Agent and Calculation Agent, “CS,” and together with Canyon, the Prepetition First Lien Collateral Agent and the Prepetition Secured Notes Collateral Agent, the “Prepetition Agents”), the Financial Institutions party thereto as lenders (collectively, the “CS Facility Lenders,” and together with the Secured Noteholders and the WC Lenders, the “Prepetition Secured Lenders”), and Credit Suisse International, as Hedging Bank. The CS Facility and all obligations under the CS Facility are secured by first priority liens against, and a security interest in all or substantially all of the assets of ProtoStar Ltd. (other than the stock of PS I held by ProtoStar Ltd.), PS II, PSD and PSS. As of the Petition Date, the outstanding amount on account of the CS Facility was in excess of \$240,000,000.

IV. Circumstances Leading to Commencement of Chapter 11 Cases

21. Purported Termination of Certain Agreements. On April 1, 2009, PS I received a notice from Agrani, dated March 30, 2009 (the “Agrani Termination Notice”), purporting to terminate that certain Amended and Restated Satellite Capacity Agreement, dated November 16, 2007 (the “Agrani Agreement”), between PS I and Agrani whereby Agrani agreed to lease satellite capacity on the PS I Satellite. PS I and ProtoStar Ltd. dispute the validity of the Agrani Termination Notice.

22. On April 3, 2009, PS I received a notice from Intersputnik (the “Intersputnik Termination Notice”), purporting to terminate the PS I Concession Agreement based on alleged interference experienced by a nearby satellite that Intersputnik believes was caused by the PS I Satellite. ProtoStar disputes the validity of the Intersputnik Termination Notice and now understands that the termination may have been initiated by Intersputnik as a result of its own disputes with the slot-sponsoring government of Belarus. Nonetheless, as a result of receipt of the Intersputnik Termination Notice, PS I was required to shut down transponder operations on the PS I Satellite and therefore is not currently generating any revenue from that Satellite. Accordingly, ProtoStar had been considering opportunities to move the PS I Satellite to a new orbital slot, although a decision has been deferred due to ongoing negotiations of a possible sale process for the PS I Satellite.

23. Defaults Under WC Agreement. On April 17, 2009, Canyon notified PS I and ProtoStar Ltd. of, among other things, the occurrence of an event of default under the WC Agreement. Pursuant to that certain Restricted Account and Securities Account Control Agreement (the “Control Agreement”), dated as of October 2007, by and among PS I, BNYM and Wells Fargo Bank, National Association (“Wells Fargo”), BNYM notified Wells Fargo in that certain letter (the “Instructions Letter”) dated April 17, 2009, that (i) PS I no longer had access to any Restricted Account Funds or Securities Account Funds and (ii) BNYM had the exclusive right to direct the disposition of all funds in the Restricted Account and all assets in the Securities Account. In the Instructions Letter, BNYM instructed Wells Fargo to transfer to BNYM the full amount of the available balance in the Restricted Accounts (other than the Securities Accounts) at the beginning of each Business Day after Wells Fargo’s receipt of the Instructions Letter. On May 7, 2009, Canyon, on behalf of the WC Lenders, sent a notice to PS I

and ProtoStar Ltd. declaring all of the obligations due under the WC Agreement immediately due and payable (the “WC Acceleration”). Neither PS I nor ProtoStar Ltd. has made any payments on account of obligations due under the WC Agreement since May 1, 2009.

24. Defaults Under Secured Notes Indenture. On April 15, 2009, PS I failed to make an interest payment on the Secured Notes, which constituted a default under the Secured Notes Indenture. On May 15, 2009, the missed payment default ripened into an event of default thereunder. By letter dated May 11, 2009, institutions holding in excess of 50% in principal amount of the Secured Notes, notified ProtoStar Ltd. and PS I that an event of default had occurred under the Secured Notes Indenture as a result of the WC Acceleration and declared all of the obligations due under the Secured Notes Indenture immediately due and payable (the “Noteholders’ Acceleration”).

25. Default Under CS Facility. On June 29, 2009 (the “CS Facility Acceleration,” and together with the WC Acceleration and the Noteholders’ Acceleration, the “Accelerations”), CS, on behalf of the CS Facility Lenders, notified ProtoStar Ltd. of the purported occurrence of an event of default under the CS Facility on account of the events of default under the WC Agreement and Secured Notes Indenture, and that as a result CS declared all of the obligations under the CS Facility immediately due and payable. On June 30, 2009, ProtoStar Ltd. failed to make an interest payment on the CS Facility, which constituted an event of default under the CS Facility. On July 1, 2009, CS, on behalf of the CS Facility Lenders, notified ProtoStar Ltd. that its failure to make the interest payment on the CS Facility constituted an event of default. On the same date, CS, on behalf of the CS Facility Lenders, notified PS II, PSD and PSS, in their capacities as guarantors under the CS Facility, that all of the obligations under the CS Facility were immediately due and payable.

26. Restructuring Negotiations. Beginning in late 2008, ProtoStar sought various strategic alternatives and solutions to a perceived potential liquidity crunch resulting principally from the failure of the PS I Satellite to generate sufficient revenue. ProtoStar sought to raise capital through potential equity and debt investments and pursued negotiations with potential purchasers of one or both of the Satellites. Following the Accelerations, ProtoStar sought to negotiate an arrangement whereby its incumbent lenders would provide incremental funding for the operation of ProtoStar's businesses to bridge to either a sale of one or both of the Satellites or a consensual comprehensive restructuring with all of ProtoStar's stakeholders.

27. Subsequently, ProtoStar reached an agreement with the WC Lenders, Secured Noteholders and the CS Facility Lenders to provide financing for the operation of ProtoStar's businesses to bridge to a sale of the Satellites in one or more transactions. In connection therewith, ProtoStar, the Secured Noteholders and the CS Facility Lenders executed agreements to support ProtoStar's restructuring and agreed to terms of DIP Financing to fund ProtoStar's operations and these chapter 11 cases.

28. In conjunction with the postpetition financing described above, ProtoStar has worked with the Secured Noteholders and the CS Facility Lenders to structure a sale process that ProtoStar believes is the best way to maximize the value of the ProtoStar's assets. ProtoStar anticipates filing a motion for authority to implement that sales process, including establishing bidding procedures in connection therewith, on or shortly after the Petition Date.

V. First Day Pleadings

29. On the Petition Date, ProtoStar filed with the Court the First Day Pleadings, which ProtoStar believes are necessary to enable it to operate the Satellites with minimal disruption and loss of productivity. ProtoStar requests that the Court approve each of

the First Day Pleadings as critical elements in stabilizing and facilitating ProtoStar's operations during the pendency of these chapter 11 cases. A description of the relief requested and the facts supporting each of the First Day Pleadings follows below.

A. Joint Administration Motion

30. ProtoStar seeks entry of an order directing the joint administration of ProtoStar's chapter 11 cases for procedural purposes only (the "Joint Administration Motion").

31. ProtoStar anticipates that, during the course of its chapter 11 cases, it will be necessary to file numerous motions and applications seeking relief on behalf of all of the ProtoStar entities. Joint administration will also further the interests of judicial economy by obviating the necessity of filing duplicate motions, entering duplicate orders, maintaining duplicate files and forwarding duplicate notices to parties-in-interest. The United States Trustee for the District of Delaware ("U.S. Trustee") and other parties in interest will similarly benefit from joint administration by sparing them the time and effort of reviewing duplicative pleadings and papers.

32. The rights of the respective creditors of ProtoStar will not be adversely affected by the proposed joint administration of these cases, and, in fact, the rights of all creditors will be enhanced by the reduction in costs resulting from the joint administration.

33. I believe that joint administration of ProtoStar's chapter 11 cases is in the best interests of ProtoStar, its estates and all parties in interest and that the Joint Administration Motion should be granted in all respects.

B. Cash Management Motion

34. ProtoStar requests that the Court enter an order (i) authorizing continued use of ProtoStar's existing bank accounts (the "Bank Accounts") and cash management system (the "Cash Management System") as well as its check stock, letterhead and business cards

(collectively, the “Business Forms”), (ii) authorizing the multiple banking and financial institutions throughout the world that ProtoStar utilizes (each a “Bank” and collectively, the “Banks”) to receive, process, honor and pay all checks issued and electronic payment requests made in connection with the Cash Management System, (iii) waiving compliance on an interim basis with the investment and deposit requirements of section 345(b) of the Bankruptcy Code and (iv) authorizing the continuation of intercompany transactions and accord administrative expense status to claims resulting from such transactions (the “Cash Management Motion”).

35. Cash Management System. In the ordinary course of ProtoStar’s businesses, ProtoStar has maintained an efficient Cash Management System to collect, transfer and maintain funds generated from operations, as well as funds received from borrowings under its credit facilities. ProtoStar’s continued use of its Cash Management System is critical to its ability to (i) control, monitor, report and forecast corporate funds, (ii) optimize the use of those funds among entities, thereby minimizing external borrowings and (iii) track, manage and pay invoices from third-party vendors. These benefits of the Cash Management System necessarily enhance the value of ProtoStar’s businesses.

36. Each ProtoStar entity except PSD maintains its own operating account(s) (the “Operating Accounts”) with Wells Fargo Bank, N.A. (“Wells Fargo”), HSBC Bank USA, N.A. or Korea Exchange Bank. The Operating Accounts are used to collect revenue generated by each entity, pay third party vendors, pay any employee wages and salaries and transfer funds between the ProtoStar entities (“Intercompany Transfers”).

37. Revenues from customers are deposited in the Operating Account of the ProtoStar entity that provided goods or services to that customer. Similarly, each ProtoStar entity pays amounts from its respective Operating Account on account of invoices rendered to

that entity for expenses incurred in the conduct of such entity's business. As a result of the global nature of ProtoStar's businesses, PSA maintains an Operating Account located outside the United States. ProtoStar records all Intercompany Transfers through manual journal entries in its corporate records such that each transfer from the bank account of one entity to another creates a corresponding intercompany receivable to the originating entity and an intercompany payable to the receiving entity. Intercompany Transfers are conducted on an as-needed basis.

38. Additionally, PS I, PS II and ProtoStar Ltd. are billed on a monthly basis for services rendered by PSS. PS I, PS II and ProtoStar Ltd. are also billed on a monthly basis for services rendered by PSA in connection with satellite monitoring, customer relations and other satellite-related services. All service fees are recorded as intercompany receivables on PSS's and PSA's books and intercompany payables on PS I's, PS II's and ProtoStar Ltd.'s books. ProtoStar conducts Intercompany Transfers between the Operating Accounts to reimburse PSS and PSA for service fees.

39. All third party vendor invoices are forwarded to the Accounts Payable function of PSS for processing and payment. Once the third party invoices have been approved and entered into the Accounts Payable system, ProtoStar goes online and utilizes the Wells Fargo Bank Commercial Electronic Office portal (the "CEO Portal") to make and track wire payments to certain vendors and pays other vendors by check from the appropriate ProtoStar entity's Operating Account. ProtoStar initiates wire transfers and conducts pay cycles for check payments on a weekly basis. Payments by check are generated and recorded in ProtoStar's financial system. Although the amount of such payments may vary considerably from pay cycle to pay cycle, ProtoStar estimates that wire transfers and check payments to third party vendors on account of vendor invoices total approximately \$550,000 per week.

40. As an illustrative example of the function of ProtoStar's Cash Management System, in order for PS I to pay a third party vendor for goods or services provided to it, the following process occurs: (1) revenues from customers are paid into the Operating Account maintained by PS I, or if there are no revenues from customers, another ProtoStar entity, as determined by the VP of Finance, will loan funds to PS I by an Intercompany Transfer through the CEO Portal, and the appropriate bookkeeping entries are recorded, (2) third party vendor invoices are approved by the CFO and forwarded to Accounts Payable for processing, (3) Accounts Payable initiates payment to the third party vendor either by wire transfer in the CEO Portal or check in ProtoStar's financial system, (4) any wire transfers are approved in the CEO Portal by the VP of Finance, (5) any checks issued are signed by VP of Finance and Accounting Manager and then entered into Account Reconciliation Service Register Maintenance ("ARP") in the CEO Portal to reduce errors, mitigate fraud risk and simplify reconciliations.

41. As a requirement of the CS Facility, ProtoStar is required to maintain certain bank accounts (the "Borrower Account" and the "Interest Reserve Account") at Credit Suisse, Singapore Branch that were opened in connection with the original funding of the PS II Satellite. ProtoStar has utilized the full \$200 million in loan commitments under the CS Facility, and thus no longer uses either the Borrower Account or the Interest Reserve Account for any purpose. Each maintains a zero balance.

42. ProtoStar does not currently maintain any non-cash investments.

43. ProtoStar seeks authority to continue to operate its Cash Management System consistent with its prepetition practices and in accordance with any postpetition financing orders entered in its chapter 11 cases. ProtoStar does not intend to "freeze" any intercompany

balances that existed as of the Petition Date and will maintain all receipts and disbursements and records of all transfers within the Cash Management System made postpetition.

44. ProtoStar's Cash Management System constitutes an ordinary course and essential business practice providing significant benefits to ProtoStar and its estates including, among other things, the ability to control corporate funds, ensure the maximum availability of funds when and where necessary and reduce borrowing costs and administrative expenses by facilitating the optimal movement of funds and the development of more timely and accurate account balance information. Based on the foregoing, I believe that maintenance of the existing Cash Management System is in the best interests of ProtoStar and its estates.

45. Bank Accounts. As of the Petition Date and in the ordinary course of its businesses, ProtoStar maintains approximately nine (9) Bank Accounts. The "Operating Guidelines For Chapter 11 Cases" (the "Guidelines") promulgated by the U.S. Trustee mandate the closure of ProtoStar's prepetition bank accounts and the opening of new accounts as a result of the filing of the petitions. If ProtoStar is required to comply with these requirements, its operations would be severely harmed by the disruption, confusion, delay and cost that would most certainly result from the closure of its existing Bank Accounts. Closure of the Bank Accounts would cause delays in the collection and disbursement of funds. Such delays could cause ProtoStar to default in its postpetition accounts payable obligations to third parties, which, in turn, could cause vendors and other third parties to cease providing goods and services to ProtoStar. Furthermore, as a result of extensive "Know Your Customer" due diligence requirements imposed upon banks with respect to companies seeking to open bank accounts at a new deposit institution, ProtoStar believes that the opening of new accounts would be an

extremely burdensome and time-consuming process and an inefficient use of the limited time and resources of ProtoStar's employees.

46. As of the Petition Date, certain of the Banks are not party to a Uniform Depository Agreement ("UDA") with the U.S. Trustee. For the Banks that are not party to a UDA with the U.S. Trustee, ProtoStar will use its good faith reasonable best efforts to cause the Bank to execute a UDA in a form prescribed by the U.S. Trustee.

47. ProtoStar believes that its transition to chapter 11 will be more orderly, with a minimum of harm to operations, if it is authorized to maintain all of its Bank Accounts existing as of the Petition Date with the same account numbers. By preserving business continuity and avoiding the disruption and delay to ProtoStar's collection and disbursement procedures that would necessarily result from closing the Bank Accounts and opening new accounts, all parties in interest will be best served.

48. In the ordinary course, the Banks charge, and ProtoStar pays, honors or allows the deduction from the appropriate Bank Account, certain service charges and other fees, costs, and expenses (collectively, the "Bank Fees"). ProtoStar respectfully requests that the Court authorize, but not require, the Banks to (i) continue to charge, and ProtoStar to continue to pay, honor or allow the Bank Fees and (ii) charge-back returned items to the Bank Accounts, whether such items are dated prior to, on, or subsequent to the Petition Date, in the ordinary course of business.

49. Business Forms. To avoid disruption to its businesses and to minimize expenses, ProtoStar respectfully requests it be authorized to continue to use its existing Business Forms. ProtoStar issues a significant number of checks in the ordinary course of business. ProtoStar is requesting authority simply to exhaust its existing check stock and continue to use

its existing electronically-generated forms for the time being, rather than immediately obtain new check stock and implement new electronic check forms reflecting its status as debtors in possession and listing the case number under which these cases are being jointly administered. Any new check stock ordered will reflect ProtoStar's debtor in possession status and ProtoStar will work with its systems personnel and outside systems consultants to determine what computer system changes are required to reflect its debtor in possession status on electronically generated checks. ProtoStar will keep the U.S. Trustee apprised of its progress on this project and will implement changes to its electronically generated checks as soon as reasonably practicable.

50. If ProtoStar is not permitted to maintain and utilize its existing Business Forms, the resulting prejudice will include disruption to the ordinary financial affairs and business operations of ProtoStar and delay in the administration of ProtoStar's estates.

51. Electronic Transfers. ProtoStar conducts transactions by debit, wire or automated clearing house ("ACH") payments and other similar methods, as discussed above. In addition, ProtoStar receives its customer receipts through wire transfers. To deny ProtoStar the opportunity to conduct transactions by debit, wire or ACH payments or other similar methods would interfere with ProtoStar's performance of its contracts and unnecessarily disrupt ProtoStar's global business operations, as well as create additional unnecessary costs to ProtoStar to the detriment of all stakeholders. Accordingly, ProtoStar submits that the Court should authorize ProtoStar to continue using debit, wire and ACH payments and other similar methods.

52. Waiver of Section 345(b). ProtoStar believes that cause exists in these cases to waive compliance with the requirements of section 345(b) of the Bankruptcy Code on an

interim basis because, among other reasons, (i) ProtoStar's funds are invested solely in cash, (ii) ProtoStar's operations are significant in scale, (iii) the Cash Management System is complex in nature and (iv) the costs associated with satisfying these requirements are burdensome. ProtoStar believes that the benefits of waiving compliance with the requirements of section 345(b) on an interim basis far outweigh any harm to the estate.

53. Intercompany Claims. ProtoStar believes that if the Court authorizes ProtoStar to treat intercompany loans and other intercompany obligations as administrative expenses then each entity utilizing funds flowing through the Cash Management System and receiving services through the intercompany arrangements should continue to bear ultimate repayment responsibility for such ordinary course transactions and its related share of the cost of services provided.

54. I believe that obtaining the relief requested in the Cash Management Motion is in the best interests of ProtoStar, its estates and all parties in interest, and is both necessary and appropriate to the efficient administration of these cases.

C. Prepetition Taxes Motion

55. ProtoStar seeks entry of an order (i) authorizing, but not directing, ProtoStar, in its sole discretion, to pay certain prepetition utility, sales, use, excise, franchise and certain other governmental taxes (collectively, the "Taxes") as well as licenses, fees -- including but not limited to certain concessions and landing rights -- and other similar charges and assessments (collectively, the "Fees", and together with the Taxes, the "Taxes and Fees"), and (ii) to the extent that a check issued or a funds transfer requested prior to the Petition Date for payment of such Taxes and Fees has not cleared the particular financial institution (each a "Bank", and collectively the "Banks") as of the Petition Date, (a) authorizing the Banks to honor such checks and/or funds transfer requests and (b) authorizing, but not directing, ProtoStar to

issue replacement checks, submit replacement funds transfer requests or provide other means of payment to the appropriate federal, state and local governmental taxing, licensing and regulatory authorities (collectively, the “Taxing and Regulatory Authorities”) (the “Prepetition Taxes Motion”).

56. The operation of the PS II Satellite is regulated by the Ministry of Communication and Information, Directorate General of Posts and Telecommunications of the Republic of Indonesia (the “Indonesian Government”). As part of such regulation, and in accordance with a concession agreement between PS II and Indovision, ProtoStar is required to pay certain Indonesian Government fees to Indovision, who turns the fees over to the government. Failure to pay such fees could result in the revocation of the concessions granted by the Indonesian Government, which concessions are necessary to ProtoStar’s continued operation of the PS II Satellite. Specifically, ProtoStar is required to pay property concessions to Indovision quarterly, in advance, in connection with the concession received from the Indonesian Government that permits use of its TT&C centers and related land and buildings on which they are located for monitoring, tracking and controlling the PS II Satellite.

57. Payment of the Taxes and Fees is critical to ProtoStar’s continued, uninterrupted operations. Non-payment of the Taxes and Fees may cause the Taxing and Regulatory Authorities to take precipitous actions including, but not limited to, conducting audits, filing liens and, if applicable, seeking to lift the automatic stay, all of which would disrupt ProtoStar’s day-to-day operations and its reorganization and could potentially impose significant costs on ProtoStar’s estates.

58. I believe obtaining the authority to pay the Taxing and Regulatory Authorities in accordance with ProtoStar’s prepetition business practices is in the best interests

of ProtoStar and its estates and will enable ProtoStar to continue to operate its businesses in chapter 11 without disruption.

D. Employee Wages Motion

59. ProtoStar seeks entry of an order (i) authorizing ProtoStar to (a) pay, in its sole discretion, all prepetition obligations incurred under or related to Employee Compensation, Non-Payroll Compensation, Employee Benefits, Third Party Funds and Expense Reimbursements (each as defined below, and collectively, the “Employee Obligations”) and (b) maintain and continue to honor its practices, programs and policies pertaining to the Employee Obligations, including payment of costs and expenses incidental to the Employee Obligations, paid in the ordinary course of ProtoStar’s businesses, as they were in effect as of the Petition Date and as may be modified, amended or supplemented from time to time in the ordinary course and (ii) authorizing the Banks to receive, honor, process and pay all checks and electronic funds transfer requests drawn on ProtoStar’s payroll and general disbursement accounts and automatic payroll transfers related to Employee Obligations. Absent the relief requested in this motion (the “Employee Wages Motion”), the Employees would likely suffer personal hardship, which ProtoStar submits would harm morale and hurt ProtoStar’s operations and productivity as well as ProtoStar’s estates.

60. Employee Compensation. In the ordinary course of its businesses, ProtoStar pays its full-time Employees on a salaried basis. The PSS Employees are paid semi-monthly and the PSA Employees are paid monthly.

61. Prior to each pay cycle, ProtoStar funds certain payroll accounts (collectively, the “Payroll Accounts”) for wages, salaries and overtime due to the Employees (collectively, the “Payroll Obligations”). The PSA Employees are paid by individual checks, which are issued by PSA and distributed to the PSA Employees. The PSS Employees are paid

through automated clearing house direct deposit (“ACH Direct Deposit”) or individual checks, which are issued by Paychex, Inc. (“Paychex”) and distributed to the PSS Employees.

62. To facilitate payment of its compensation obligations with respect to the PSS Employees, ProtoStar uses the payroll service Paychex, which transfers the appropriate amount from the applicable Payroll Account to each PSS Employee’s designated account. For its payroll services and other employee compensation and benefits-related services Paychex provides to ProtoStar for the benefit of the PSS Employees, Paychex receives certain fees and compensation on a monthly basis.²

63. ProtoStar also engages full- or part-time independent contractors and consultants (the “Independent Contractors”) that provide ProtoStar with a number of services, including, among others, corporate services, technical link budget calculations, foreign and domestic regulatory assistance, orbital slot analysis and sales transaction assistance in the Asia region. Since early 2009, ProtoStar has reduced the number of Independent Contractors it retains. As of the Petition Date, ProtoStar engaged four (4) Independent Contractors, two (2) of whom are retained by ProtoStar Ltd. and two (2) of whom are retained by PSA.

64. All Employees are eligible to receive an annual bonus in the ordinary course of business, based on language contained within the standard employment letter each employee receives upon the commencement of his or her employment with ProtoStar (the “Bonuses,” and together with Payroll Obligations and amounts paid to Independent Contractors, the “Employee Compensation”). Each Employee may receive up to a certain percentage of his or her annual base salary dependent on function, seniority, position and performance. The amount of any such Bonus is determined at the sole discretion of the board of directors of

² In addition to its payrolls services, Paychex performs and receives fees for administrative services with respect to the Medical Savings Programs and 401(k) Plan (each as defined below).

ProtoStar Ltd., based upon (i) an evaluation of the individual employee's performance, (ii) the performance of ProtoStar (on a consolidated basis), (iii) specific criteria mutually determined by the Employee and his or her employer, subject to the approval of the Board of Directors of ProtoStar Ltd. and (iv) the continued active employment of the Employee through the date that bonuses are paid. Bonus awards are paid on a date after the end of the fiscal year for which such Bonus applies, a date that usually occurs in March or April.

65. Non-Payroll Compensation. In addition, ProtoStar provides its Employees with other forms of non-payroll compensation, including paid vacation time, holidays, personal days, sick days, bereavement and jury duty³ (collectively, the "Non-Payroll Compensation"). Pursuant to ProtoStar's various policies and procedures, the amount of accrued but unpaid Non-Payroll Compensation as of the Petition Date is contingent on, among other things, how many vacation days are taken, Employee turnover, the number of sick days taken and similar factors.

66. Employee Benefits. ProtoStar offers its Employees a variety of health and welfare benefits through, among other things, the Medical Plans, the Dental Plan, COBRA Premium Payments, Healthcare Reimbursement, the 401(k) Plan and the Flexible Savings Programs (each as defined below, and collectively, the "Employee Benefits").

67. ProtoStar provides all of its participating PSA Employees and eligible dependents medical and prescription drug benefits through a self-insured insurance program (the "PSA Medical Plan") administered by the AIA Group for the PSA Employees. Costs of the PSA Medical Plan are shared between ProtoStar and the PSA Employees.

68. Under the PSA Medical Plan, ProtoStar deducts premiums from each participating PSA Employee's paycheck based upon the level of coverage the PSA Employee

³ The PSS Employees are allowed a leave of absence for the purpose of performing jury duty service. ProtoStar will pay up to a maximum of 40 hours for such leave of absence per year.

elects. The PSA Employee contributions, together with additional funding provided by ProtoStar, are used to fund the PSA Medical Plan.

69. ProtoStar provides all of its participating PSS Employees and eligible dependents medical and prescription drug benefits through a self-insured insurance program (the “PSS Medical Plan,” and together with the PSA Medical Plan, the “Medical Plans”) administered by Anthem Blue Cross (“Anthem”) for the PSS Employees. Costs of the PSS Medical Plan are shared between ProtoStar and the PSS Employees.

70. Under the PSS Medical Plan, ProtoStar deducts premiums from each participating PSS Employee’s paycheck based upon the level of coverage the PSS Employee elects. The PSS Employee contributions, together with additional funding provided by ProtoStar, are used to fund the PSS Medical Plan.

71. ProtoStar provides all of its participating Employees and eligible dependents dental benefits through a self-insured insurance program (the “Dental Plan”) administered by Anthem. Costs of the Dental Plan are shared between ProtoStar and the Employees and are included in the amounts funding the PSS Medical Plan.

72. As part of both the PSS Medical Plan and the Dental Plan, and under the statutory scheme of the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”), ProtoStar is obligated to continue to pay certain premiums due under the PSS Medical Plan and Dental Plan (the “COBRA Premium Payments”) to those individuals, including former PSS Employees, who have experienced a “qualifying act” as defined under COBRA. Currently, ProtoStar is making COBRA Premium Payments for one former PSS Employee.

73. For those PSS Employees who elect not to participate in the Medical Plans, ProtoStar offers additional compensation (the “Healthcare Reimbursement”) to be used by

the Employee for healthcare reimbursements the PSS Employee incurs in obtaining and maintaining his or her own individual health plan. ProtoStar provides a Healthcare Reimbursement of \$1,000 per month for each PSS Employee who does not participate in the Medical Plan.

74. ProtoStar sponsors a qualified 401(k) retirement savings plan for eligible PSS Employees (the “401(k) Plan”). Under the 401(k) Plan, PSS Employees may contribute a portion of their annual compensation toward the 401(k) Plan up to certain statutory caps. ProtoStar matches 25% of the first 4% of any PSS Employee contributions to the Plan.

75. Through Paychex, ProtoStar offers two (2) types of flexible savings programs to its PSS Employees: health savings accounts (the “HSA”) and dependent care savings accounts (the “Dependent Care FSA”, and together with the HSA, the “Flexible Savings Programs”). Eligible PSS Employees may designate up to \$2,400 a year of pre-tax income to be withheld through payroll deductions over the course of the year for reimbursement of out-of-pocket medical, dental, vision or healthcare-related expenses under the HSA (the “HSA Contribution”) and up to \$5,000 a year to be withheld for reimbursement of child or elder-care expenses under the Dependent Care FSA (the “Dependent Care FSA Contribution”). Approximately three (3) PSS Employees participate in the Flexible Savings Programs.

76. Regardless of a PSS Employee’s HSA Contributions to date, a PSS Employee may seek reimbursement (the “HSA Reimbursements”) for all amounts up to the designated annual contribution at any point during the year. Based upon a PSS Employee’s Dependent Care FSA Contributions to date, a PSS Employee may seek reimbursement up to the actual amount in the Dependent Care FSA. Any unspent amounts in an HSA or Dependent Care FSA at the end of any calendar year do not roll over to the following year. PSS Employees,

however, may submit HSA Reimbursements for the preceding year until March 31 of the following year.

77. Third Party Funds. ProtoStar is required by law to withhold from the PSS Employees' salaries, wages and other compensation amounts related to federal, state and local withholding taxes, as well as Social Security and Medicare taxes (collectively, the "Withholding Taxes") and to remit the same to the appropriate taxing authorities. In addition, ProtoStar is required to make payments of its own funds on account of Social Security and Medicare taxes and to pay, based on a percentage of gross payroll (and subject to state-imposed limits), additional amounts to Taxing Authorities for, among other things, state and federal unemployment insurance (collectively, the "Employer Payroll Taxes"). Each pay cycle Paychex withholds any applicable Withholding Taxes from the PSS Employees' wages and remits the same to the applicable Taxing Authorities. At the same time, Paychex also remits any Employer Payroll Taxes.

78. For the PSA Employees, ProtoStar is required under Singapore law to contribute amounts to Singapore's Central Provident Fund (the "Provident Fund," and together with the Withholding and Employer Payroll Taxes, the "Third Party Funds"). The Provident Fund is a comprehensive social security savings plan with various pre-retirement uses such as financing healthcare, post-secondary education, home ownership and other asset enhancement activities.

79. Expense Reimbursements. Certain Employees and Independent Contractors of ProtoStar incur and pay for various travel and other expenses while performing their duties. Because the Employees and Independent Contractors incur these expenses as part of their official duties and in furtherance of ProtoStar's businesses, ProtoStar reimburses the

Employees and Independent Contractors for such expenses (the “Expense Reimbursements”). To obtain reimbursement, an Employee or Independent Contractor must submit an expense and reimbursement report with the appropriate approvals. Upon submission of such a report, ProtoStar processes the report and reimburses the Employee or Independent Contractor. ProtoStar pays Expense Reimbursements to its Employees by either individual check or ACH Direct Deposit, depending on the Employee’s pay preference. ProtoStar pays Expense Reimbursements to its Independent Contractors by check. ProtoStar processes expense and reimbursement reports on a rolling basis, and all checks issued to reimburse Employees or Independent Contractors are issued by PSS.

80. In this instance, any delay or failure to pay wages, salaries, expense reimbursements, benefits and other similar or related items could irreparably impair the Employees’ morale, dedication, confidence and cooperation and could adversely affect ProtoStar’s relationship with the Employees and Independent Contractors at a time when the Employees’ and Independent Contractors’ support is critical to the success of ProtoStar’s chapter 11 cases. ProtoStar simply cannot risk the substantial damage to its businesses that would inevitably attend any decline in its Employees’ and Independent Contractors’ morale. Moreover, paying the Employees and Independent Contractors in the ordinary course of business will enable ProtoStar to operate smoothly during these cases. Such relief allows ProtoStar to focus on maintaining the stability of ProtoStar’s operations in the initial months of these chapter 11 cases for the benefit of ProtoStar, its estates and its creditors. Under these circumstances, approval of the requested relief is appropriate.

81. Absent an order granting the relief requested in the Employee Wages Motion, the Employees and other personnel could suffer undue hardship and, in many instances,

serious financial difficulties, as the amounts in question may be needed to enable certain individuals to meet their own personal financial obligations. Without the requested relief, the stability of ProtoStar will be undermined, perhaps irreparably, by the distinct possibility that otherwise loyal Employees and other personnel will seek other employment alternatives. In addition, it is inequitable to require the Employees and Independent Contractors to bear personally the cost of any business expenses they incurred prepetition on behalf of ProtoStar with the understanding that they would be reimbursed.

82. I believe that obtaining the authority to pay all Employee Obligations in accordance with ProtoStar's prepetition business practices is in the best interests of ProtoStar and its estates and will enable ProtoStar to continue to operate its businesses in chapter 11 without disruption.

E. Utilities Motion

83. ProtoStar requests that the Court enter interim and final orders (i) prohibiting certain providers (the "Utility Companies") of utility services (the "Utility Services") from altering, refusing or discontinuing services to, or discriminating against, ProtoStar on account of prepetition amounts outstanding or on account of any perceived inadequacy of ProtoStar's proposed offer of "adequate assurance of payment" within the meaning of section 366(b) of the Bankruptcy Code, (ii) determining the Utility Companies have adequate assurance and that ProtoStar is not required to provide any additional adequate assurance beyond that proposed by ProtoStar (the "Proposed Adequate Assurance"), (iii) approving ProtoStar's proposed procedures to resolve requests by Utility Companies for additional adequate assurance (the "Adequate Assurance Procedures") and (iv) setting a final hearing on ProtoStar's Proposed Adequate Assurance and the Adequate Assurance Procedures (the "Utilities Motion").

84. In connection with the operation of its businesses and management of its properties, ProtoStar obtains electricity, telephone, cellular telephone, internet, and/or other similar services from a number of utility service providers. These Utility Services are vital to ProtoStar's ability to operate its businesses. If any Utility Company refused or terminated ProtoStar's Utility Services, such an interruption could have drastic consequences for ProtoStar's ongoing operations and ProtoStar's chapter 11 cases. The business operations of ProtoStar's clientele and the safe monitoring of the Satellites would be threatened, and ProtoStar's ability to obtain new clients would be severely curtailed by any such disruption of its operations. Therefore, it is essential that the Utility Services continue uninterrupted and that ProtoStar's prospects for a successful outcome to these chapter 11 cases not be needlessly endangered.

85. The relief requested in the Utilities Motion would provide the Utility Companies with a fair and orderly procedure for requesting an Adequate Assurance Deposit and for determining requests for additional or different adequate assurance. Without these procedures, ProtoStar could be forced to address numerous requests by Utility Companies in a disorganized manner at a critical period in these chapter 11 cases and during a time when ProtoStar's efforts could be more productively focused on the continuation of its operations for the benefit of all parties in interest; the impact of any disruption in the Utility Services on ProtoStar's business operations would be extremely harmful.

86. I believe the Proposed Adequate Assurance and the Adequate Assurance Procedures are in the best interests of ProtoStar and its estates and will enable ProtoStar to continue to operate its businesses in chapter 11 without disruption.

F. Insurance Motion

87. ProtoStar requests that the Court enter an order (i) authorizing, but not directing, ProtoStar to (a) continue its workers' compensation, satellite and other insurance

programs maintained in the ordinary course of ProtoStar's businesses (including the renewal and/or replacement of those policies and agreements that may expire during these cases) and (b) pay certain obligations in respect thereof including, without limitation, the payment of all premiums, premium financing payments, claims, deductibles, administrative expenses, brokerage fees and all other charges and expenses incurred, on an uninterrupted basis consistent with ProtoStar's practices in effect prior to the commencement of these chapter 11 cases, whether relating to the period prior to or after the commencement of these chapter 11 cases and (ii) granting related relief (the "Insurance Motion").

88. In order to protect its businesses and its stakeholders, ProtoStar maintains a workers' compensation program (the "Workers' Compensation Program"), in-orbit and third party liability insurance for its satellites (collectively, the "Satellite Insurance") and various insurance policies and programs for, among other things, general liability, property damage, directors' and officers' liabilities, foreign operational risks and travel and accident liabilities (the "General Insurance Programs," and together with the Workers' Compensation Program and the Satellite Insurance, the "Insurance Programs"), by and through various insurance carriers (the "Insurance Providers").

89. Under the laws of the various states in which it operates, PSS is required to maintain for its PSS Employees workers' compensation coverage for claims arising from or related to their employment with PSS.

90. In addition, satellite insurance is particularly critical to operators of relatively small fleets of satellites. A growing satellite operator will typically require lending on a secured basis to build and launch its initial satellites, with the hopes that such satellites will ultimately provide excess cash flow to fund subsequent satellites. As a growing satellite

operator, ProtoStar has complied with strict insurance obligations in connection with its funding in order to protect the value of its lenders' collateral from a potential satellite anomaly.

91. The Satellite Insurance maintained by ProtoStar includes separate in-orbit insurance policies for the Satellites and a single third-party liability policy for both Satellites.

92. As a necessary part of ProtoStar's operations, ProtoStar maintains the General Insurance Programs to help manage the risks associated with its businesses. Continuation of these policies is essential to ProtoStar's ongoing operations and protection of the value of its assets.

93. The nature of ProtoStar's businesses and the extent of its operations make it essential for ProtoStar to maintain its Insurance Programs on an ongoing and uninterrupted basis. The nonpayment of any premiums, deductibles or related fees under one of the Insurance Programs could result in one or more of the Insurance Providers attempting to terminate their existing policies, declining to renew their current policies or refusing to enter into new insurance agreements with ProtoStar in the future. If the Insurance Programs are allowed to lapse without renewal, ProtoStar could be exposed to substantial liability for damages resulting to persons and property of ProtoStar and others, which exposure could have an extremely negative impact on ProtoStar's ability to successfully reorganize. Furthermore, ProtoStar would then be required to obtain replacement policies on an expedited basis at what could lead to significantly higher cost to its estates. Accordingly, ProtoStar must make all payments with respect to the Insurance Programs.

94. In addition, the risk that eligible workers' compensation claimants will not receive timely payments for employment-related injuries could have a devastating effect on the financial well-being and morale of ProtoStar's current employees – perhaps going as far as

resulting in employee departures. Employee departures at this critical time may result in a severe disruption of ProtoStar's businesses with a substantially adverse impact on ProtoStar, the value of its assets and businesses and its ability to reorganize. The retention of ProtoStar's qualified and dedicated senior management is also linked to the continued effectiveness of the directors' and officers' liability insurance policies.

95. Further, as a result of the commencement of ProtoStar's chapter 11 cases, and in the absence of an order of the Court providing otherwise, ProtoStar's checks and electronic fund transfers in respect of the Insurance Programs may be dishonored or rejected by the Banks. Because of ProtoStar's need to maintain the Insurance Programs, I believe it would be in the best interests of ProtoStar to issue replacement checks and electronic fund transfers as necessary to ensure ProtoStar's ongoing insurance coverage.

96. I believe that obtaining the authority to pay the Insurance Programs in accordance with ProtoStar's prepetition business practices is in the best interests of ProtoStar and its estates and will enable ProtoStar to continue to operate its business in chapter 11 without disruption.

**G. Notice, Claims and Balloting Agent
Retention Application**

97. ProtoStar requests that the Court enter an order authorizing ProtoStar's employment and retention of Kurtzman Carson Consultants LLC ("KCC") to act as notice, claims and balloting agent in the chapter 11 cases.

98. ProtoStar has over 100 potential creditors and other parties in interest, many of whom are expected to file proofs of claim. ProtoStar believes that noticing and receiving, docketing, and maintaining proofs of claim and a register thereof would impose a heavy administrative burden upon the Court and the Office of the Clerk of the United States

Bankruptcy Court for the District of Delaware (the “Clerk’s Office”). The Clerk’s Office may not be well-equipped to efficiently and effectively serve notice on the large number of creditors and parties in interest and administer claims during these chapter 11 cases. ProtoStar submits that retention of an agent to provide administrative services, such as those provided by KCC, is necessary to alleviate the potential burden on the Court and the Clerk’s Office.

99. I believe that employing KCC would be an effective and efficient manner of providing notice to the many creditors and parties in interest of the filing of ProtoStar’s chapter 11 cases and other developments in the chapter 11 cases and of addressing other similar duties during these cases and, therefore, is in the best interests of ProtoStar’s estates and parties in interest.

H. Essential Vendors Motion

100. ProtoStar requests that the Court enter an order authorizing, but not requiring, the payment of certain prepetition claims of essential domestic and foreign vendors (the “Essential Vendors Motion”).

101. ProtoStar has determined that certain domestic vendors (collectively, the “Domestic Essential Vendors”) and foreign vendors (collectively, the “Foreign Essential Vendors,” and together with the Domestic Essential Vendors, the “Essential Vendors”) provide essential goods and services, the loss of which would lead to a disruption in ProtoStar’s businesses. Without payment of the certain prepetition claims of the Essential Vendors (the “Essential Vendor Claims”), it is likely that some or many of the Essential Vendors, and in particular, the Foreign Essential Vendors, will refuse or be unable to continue providing essential goods and services to ProtoStar. Virtually any impairment or delay in the supply of essential goods and services would seriously hinder ProtoStar’s ability to operate the Satellites, disrupt ProtoStar’s businesses and those of its customers and destroy value for its estates and creditors.

102. Finding replacement vendors for essential goods and services would be an arduous and lengthy process, potentially compromising ProtoStar's businesses and resulting in significant expense to ProtoStar's estates. Further, ProtoStar would be unfamiliar with its new vendors, and, thus, the quality of the goods and services provided may suffer. In some cases, the delay in finding such replacements may have irreversible consequences. In addition, ProtoStar could be forced to pay a premium for replacement supplies or even be unable to obtain replacements because of the perceived risk of doing business in chapter 11 -- a perception which cannot be underestimated in the Asian markets in which ProtoStar does business -- and because some of ProtoStar's terms with existing Essential Vendors are more favorable than those available from other suppliers without regard to chapter 11.

103. In addition, certain Essential Vendors may not be familiar with the bankruptcy process and/or unwilling to continue to do business with ProtoStar if their prepetition claims are not paid, at least in part. Of particular concern are Foreign Essential Vendors. Many of these foreign entities are unfamiliar or uncomfortable with the unique debtor in possession mechanism at the heart of the chapter 11 process and, as such, a debtor seeking to explain the chapter 11 process to a foreign vendor and convince the foreign vendor to continue providing goods and services postpetition is often greeted with a high degree of skepticism and mistrust.⁴ Indeed, there is a significant risk that the failure to make even a single payment on an invoice could cause a Foreign Essential Vendor to cease providing goods and services to ProtoStar on a timely basis and/or completely sever its business relationship with ProtoStar. In any event, failure to pay all or a portion of prepetition claims held by Foreign Essential Vendors would likely result in costly delays in the provision of key goods and services.

⁴ Contemporaneously with the Essential Vendors Motion and in service of similar goals, ProtoStar has filed the Stay Enforcement Motion in order to restate and affirm certain sections of the Bankruptcy Code.

104. It is essential that ProtoStar be permitted in its discretion to honor claims held by Foreign Essential Vendors and pay any prepetition amounts related thereto without disruption. While the automatic stay generally prevents counterparties from terminating the provision of goods and services based on prepetition defaults, foreign counterparties are, as discussed above, not always aware of or willing to respect such restrictions, and it can be both unduly time-consuming and costly to enforce the automatic stay against such counterparties, particularly where relatively small claim amounts are involved. If the Foreign Essential Vendors' claims are not paid, the Foreign Essential Vendors may take precipitous action against ProtoStar based upon an erroneous belief that they are not subject to the jurisdiction of this Court and, thus, not subject to the automatic stay provisions of section 362(a) of the Bankruptcy Code. Indeed, the Foreign Essential Vendors may take the position that jurisdictions in which ProtoStar's foreign operations and assets are located do not recognize the automatic stay provisions of section 362(a) of the Bankruptcy Code, and thus they are effectively unenforceable as against the Foreign Essential Vendors. The Foreign Essential Vendors could, among other things, attempt to sue in a foreign court and obtain a judgment against ProtoStar to collect prepetition amounts owed to them. They might even immediately seek to attach or seize ProtoStar's foreign assets even prior to obtaining a judgment. More importantly, the Foreign Essential Vendors could refuse to do business with ProtoStar. The impact of such events would be catastrophic to ProtoStar's reorganization efforts. Accordingly, ProtoStar believes that it is in the best interests of its estates and creditors that the Court grant ProtoStar the authority, in its sole discretion, to honor the prepetition obligations to the Foreign Essential Vendors and pay any prepetition amounts associated therewith.

105. If Essential Vendors discontinue their supply of goods and services as a result of ProtoStar's bankruptcy cases, the impact on ProtoStar's operations would be severe. Thus, to maintain going concern value and allow ProtoStar's reorganization to proceed, ProtoStar should be permitted to pay its Essential Vendor Claims.

106. I believe that obtaining the authority to pay the Essential Vendor Claims in accordance with the proposed procedures and in ProtoStar's discretion is in the best interests of ProtoStar and its estates and will enable ProtoStar to continue to operate its businesses in chapter 11 without disruption.

I. PS I DIP Motion

107. ProtoStar requests that the Court enter an interim order (the "PS I DIP Interim Order") (i) authorizing ProtoStar (a) to enter into the \$16,000,000 Debtor-In-Possession Agreement (the "PS I DIP Credit Agreement," and together with each of the Loan Documents (as defined in the PS I DIP Credit Agreement), the "PS I DIP Documents," and the post-petition financing made available thereby, the "PS I DIP Financing"), by and among ProtoStar Ltd., as borrower, PS I (together with ProtoStar Ltd., the "PS I DIP Credit Parties," and each a "PS I DIP Credit Party"), as guarantor, Wells Fargo, as Administrative Agent (in such capacity, the "PS I DIP Agent") for itself and the lenders thereunder (the "PS I DIP Lenders"), and the PS I DIP Lenders and (b) use cash collateral of the Secured Noteholders and the WC Lenders (the "PS I Cash Collateral"), (ii) granting adequate protection to the Secured Noteholders and the WC Lenders and (iii) scheduling a final hearing to consider the requested relief on a final basis (the "PS I DIP Motion").

108. As discussed in greater detail above, difficulties related to the PS I Concession Agreement and economic forces beyond ProtoStar's control have placed significant stress on ProtoStar's liquidity. ProtoStar estimates that as of the Petition Date, it will have cash

on hand, which, along with cash flow from operations, will be insufficient to pay for ProtoStar's costs, let alone facilitate the sale process of one or more of the Satellites, during the first months of its chapter 11 cases. Given the substantial additional costs associated with administering chapter 11 cases, ProtoStar has an immediate need to obtain the initial funding available, up to \$2 million, under the PS I DIP Documents (the "PS I DIP Interim Facility") and the use of the PS I Cash Collateral to permit the orderly sale of the assets of PS I (the "PS I Assets"), including the PS I Satellite. The relief sought in the PS I DIP Motion is vital to the preservation and maintenance of the value of ProtoStar's businesses and to maximizing value of the PS I Assets.

109. ProtoStar is unable to obtain financing on more favorable terms from sources other than the PS I DIP Lenders under the PS I DIP Documents and is unable to obtain adequate unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. ProtoStar is also unable to obtain secured credit under sections 364(c) or 364(d) of the Bankruptcy Code on equal or more favorable terms than those set forth in the PS I DIP Documents within the time frame required by ProtoStar's needs to avoid immediate and irreparable harm. Financing in the amount and under the terms provided by the PS I DIP Documents is not available without the PS I DIP Credit Parties granting to the PS I DIP Agent and the PS I DIP Lenders, subject to the Carve-Out and the ProtoStar II Financing Liens (each as defined in the PS I DIP Motion), all such liens and security interests granted to the PS I DIP Agent, for its benefit and for the benefit of the PS I DIP Lenders pursuant to the PS I DIP Interim Order and the PS I DIP Documents and an administrative expense claim having priority over any and all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code and over any and all administrative expenses or other claims arising under

sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 726, 1113 or 1114 of the Bankruptcy Code under the terms and conditions set forth in the PS I DIP Documents.

110. The PS I Assets are a significant part of ProtoStar's businesses. Prior to the Petition Date, ProtoStar surveyed various sources of post-petition financing, including, through its financial advisor, UBS Securities LLC ("UBS"), seeking offers from lenders other than the Secured Noteholders and the WC Lenders. In exploring those options with respect to the PS I Assets, ProtoStar recognized that the obligations owed to the Secured Noteholders and the WC Lenders under the Secured Notes Indenture and the WC Agreement are secured by the PS I Collateral, such that either (i) the liens of the Secured Noteholders and the WC Lenders would have to be primed to obtain post-petition financing, or (ii) ProtoStar would have to find a post-petition lender willing to extend credit that would be junior to the liens of the Secured Noteholders and the WC Lenders. Because ProtoStar was unable to find funding on an unsecured or junior basis, and the Secured Noteholders and the WC Lenders advised ProtoStar that they would not consent to the priming of their liens and security interests, borrowing from another post-petition lender or lending group that required security interests senior to the Secured Noteholders and the WC Lenders likely could not have been accomplished at all and, in any event, would have required ProtoStar to prove, through an extended, contested hearing, that the requirements of section 364(d) of the Bankruptcy Code had been satisfied.

111. Ultimately, ProtoStar concluded that the PS I DIP Financing with the PS I DIP Lenders is the best financing option available to ProtoStar because, among other things, the PS I DIP Financing permits ProtoStar to secure the post-petition financing required for ProtoStar's ongoing working capital requirements as well as to maximize the value of ProtoStar's estates, including the PS I Assets. Further, the PS I DIP Financing is the only

financing available that would not require ProtoStar to seek to prime the Secured Noteholders' and the WC Lenders' liens on a nonconsensual basis in what would likely have been an extended, contested hearing.

112. Moreover, in conjunction with the PS I DIP Financing, ProtoStar has worked with the PS I DIP Lenders to structure a sale process that ProtoStar believes is the best way to maximize the value of the PS I Assets. ProtoStar anticipates filing a motion for authority to implement that sales process, including establishing bidding procedures in connection therewith, on or shortly after the Petition Date.

113. Based on the facts and circumstances present in these cases, I believe the PS I DIP Financing and the use of the PS I Cash Collateral are fair and reasonable, reflect an exercise of prudent business judgment and constitute reasonably equivalent value and fair consideration. The matter was negotiated at arm's length and extensively and diligently considered by ProtoStar's management and submitted to the Board of Directors for approval. I believe ProtoStar's decision to agree to the PS I DIP Financing is reasonable under the circumstances, where no financing was available on different terms and where ProtoStar's need for liquidity was immediate.

114. ProtoStar believes that, in light of the fact that no other financing option is available, paying down all of the WC Facility will have little adverse affect on ProtoStar's unsecured creditors and will provide ProtoStar with the only opportunity available to continue its business operations. As reflected in the budget attached to the PS I DIP Credit Agreement, ProtoStar believes that after payment of the WC Facility, the PS I DIP Financing will provide it with sufficient liquidity for working capital and general corporate purposes and fund operations as a going concern to permit the orderly sale of the PS I Assets. Moreover, ProtoStar does not

believe that payment of the WC Facility will unduly restrict ProtoStar's restructuring options, including sale of the PS I Assets, going forward in these chapter 11 cases.

115. Notwithstanding the fact that ProtoStar has no alternatives available, ProtoStar worked to independently verify and determine the secured nature of the Secured Noteholders' and WC Lenders' claims in considering the appropriateness of the roll-up. Based on that analysis, ProtoStar determined that the roll-up is appropriate under the circumstances.

116. Additionally, ProtoStar requires the use of the PS I Cash Collateral to fund its day-to-day operations. The Secured Noteholders and the WC Lenders have consented to the use of the PS I Cash Collateral on the terms set forth in the PS I DIP Motion and in the PS I DIP Interim Order. Indeed, absent such relief, ProtoStar's businesses would be brought to an immediate halt, with damaging consequences for ProtoStar and its estates and creditors.

117. ProtoStar has an urgent and immediate need for cash to continue to operate. As previously discussed, ProtoStar does not have sufficient funds with which to operate its businesses on an ongoing basis. Absent authorization from the Court to use PS I Cash Collateral and obtain secured credit, as requested, on an interim basis pending a final hearing on the PS I DIP Motion, ProtoStar will be immediately and irreparably harmed. Accordingly, the interim relief requested is critical to preserving and maintaining the going concern value of ProtoStar, facilitating its efforts in these chapter 11 cases and maximizing the value of the PS I Assets.

118. I believe that the PS I DIP Financing with the PS I DIP Lenders is both necessary and appropriate under the circumstances, addresses ProtoStar's working capital and liquidity needs and should be approved.

J. PS II DIP Motion

119. ProtoStar requests that the Court enter an interim order (the “PS II DIP Interim Order”) authorizing ProtoStar to (i) obtain postpetition financing (the “PS II DIP Financing”) by entering into a senior secured superpriority debtor in possession multiple draw term loan agreement (as the same may be amended, supplemented or otherwise modified from time to time, the “PS II DIP Credit Agreement,” and together with the PS II DIP Interim Order, an order granting the relief requested in the PS II DIP Motion on a final basis and the other agreements, documents, notes or instruments to be delivered in connection thereto, the “PS II DIP Financing Documents”), by and among ProtoStar Ltd. and PS II, as borrowers, each additional borrower that becomes a party thereto pursuant to the terms thereof, certain of the ProtoStar entities, as guarantors, the lenders from time to time parties thereto (collectively, the “PS II DIP Lenders”) and Credit Suisse, Cayman Islands Branch, as administrative agent (in such capacity, together with its successors and assigns in such capacity, the “PS II DIP Agent”), and as a postpetition lender and Credit Suisse, Singapore Branch, as collateral agent, (ii) grant Superpriority Claims (as defined in the PS II DIP Motion) in each of ProtoStar’s chapter 11 cases for all unpaid Postpetition Obligations (as defined in the PS II DIP Motion), (iii) grant Liens in all Collateral (as defined in the PS II DIP Financing Documents) to secure any and all Postpetition Obligations, (iv) use the PS II Cash Collateral (as defined below) and (v) pending a final hearing on the PS II DIP Motion, borrow under the PS II DIP Credit Agreement, on an interim basis, up to an aggregate principal or face amount of \$2 million (the “PS II DIP Interim Facility”) up to and including the date on which a final order is entered (the “PS II DIP Motion”).

120. As discussed in greater detail above, difficulties related to the PS I Concession Agreement and economic forces beyond ProtoStar’s control have placed significant

stress on ProtoStar's liquidity. ProtoStar estimates that as of the Petition Date, it will have cash on hand, which, along with cash flow from operations, will be insufficient to pay for ProtoStar's costs, let alone facilitate the sale process of one or more of the Satellites, during the first months of its chapter 11 cases.

121. Given the substantial additional costs associated with administering its chapter 11 cases, ProtoStar has an immediate need to obtain the PS II DIP Interim Facility and use the CS Facility Lenders' "cash collateral" (as defined by section 363(a) of the Bankruptcy Code), including any funds subject to a right of setoff in favor of a CS Facility Lender, any funds on deposit or maintained in any account subject to a control agreement with CS and any proceeds of the CS Facility Lenders' prepetition collateral, the "PS II Cash Collateral") to finance the ordinary costs of ProtoStar's operations, maintain business relationships with vendors, suppliers and customers, pay employees, satisfy other working capital and operational needs and administer and preserve the value of ProtoStar's estates. The ability of ProtoStar to continue its businesses and maximize the value of its assets of PS II (the "PS II Assets"), including the PS II Satellite, depends on obtaining the PS II DIP Financing and using the PS II Cash Collateral as requested in the PS II DIP Motion.

122. ProtoStar is unable to obtain financing on more favorable terms from sources other than the PS II DIP Lenders under the PS II DIP Financing Documents. Specifically, ProtoStar is unable to obtain the funds it requires in the form of (i) unsecured credit or debt allowable under section 503(b)(1) of the Bankruptcy Code, (ii) an administrative expense pursuant to section 364(a) or (b) of the Bankruptcy Code, (iii) unsecured debt having the priority afforded by section 364(c)(1) of the Bankruptcy Code or (iv) debt secured only as described in section 364(c)(2) or (3) of the Bankruptcy Code. ProtoStar is unable to obtain the required funds

on terms more favorable than those offered by the PS II DIP Lenders under the PS II DIP Financing Documents.

123. Prior to the Petition Date, ProtoStar surveyed various sources of postpetition financing, including, through its financial advisor, UBS, seeking offers from lenders other than the CS Facility Lenders. In exploring those options, ProtoStar recognized that the obligations owed to the CS Facility Lenders under the CS Facility are secured by collateral such that either (i) the liens of the CS Facility Lenders would have to be primed to obtain postpetition financing, or (ii) ProtoStar would have to find a postpetition lender willing to extend credit that would be junior to the liens of the CS Facility Lenders. Because ProtoStar was unable to find funding on an unsecured or junior basis, and the CS Facility Lenders advised ProtoStar that they would not consent to the priming of their liens and security interests, borrowing from another postpetition lender or lending group that required security interests senior to the CS Facility Lenders likely could not have been accomplished at all and, in any event, would have required ProtoStar to prove, through an extended, contested hearing, that the requirements of section 364(d) of the Bankruptcy Code had been satisfied.

124. Ultimately, ProtoStar concluded that the PS II DIP Financing with the PS II DIP Lenders is the best financing option available to ProtoStar because, among other things, the PS II DIP Financing permits ProtoStar to secure the postpetition financing required for ProtoStar's ongoing working capital requirements as well as to maximize the value of ProtoStar's estates, including the PS II Assets. Further, the PS II DIP Financing is the only financing available that would not require ProtoStar to seek to prime the CS Facility Lenders' liens on a nonconsensual basis in what would likely have been an extended, contested hearing.

125. Moreover, in conjunction with the postpetition financing described herein, ProtoStar has worked with the PS II DIP Lenders to structure a sale process that ProtoStar believes is the best way to maximize the value of the PS II Assets. ProtoStar anticipates filing a motion for authority to implement that sales process, including establishing bidding procedures in connection therewith, on or shortly after the Petition Date.

126. ProtoStar has an urgent and immediate need for cash to continue to operate. Currently, ProtoStar does not have sufficient funds with which to operate its businesses on an ongoing basis. Absent authorization from the Court to obtain secured credit and utilize the PS II Cash Collateral, as requested, on an interim basis pending a final hearing on this Motion, ProtoStar will be immediately and irreparably harmed. The availability of the PS II DIP Interim Facility under the PS II DIP Credit Agreement will provide necessary assurance to ProtoStar's vendors and employees, among others, of ProtoStar's ability to meet its near-term obligations, including providing adequate assurance to utilities and adequate protection payments to secured creditors as contemplated by the budget attached to the PS II DIP Credit Agreement. Failure to meet these obligations and to provide these assurances likely would have both a short-term and a long-term negative impact on the value of ProtoStar's businesses, to the detriment of all parties in interest. Without the PS II DIP Financing, ProtoStar cannot continue as a viable company and the value of the PS II Assets will quickly erode.

127. ProtoStar is unable to obtain debtor-in-possession financing without providing senior priming liens. As set forth above, ProtoStar has made all reasonable efforts to obtain financing on the best terms available in light of market circumstances. Despite its efforts, ProtoStar has not been able to obtain adequate post-petition financing or other financing

accommodations from any alternative prospective lender or group of lenders on more favorable terms and conditions than those for which approval is sought in the PS II DIP Motion.

128. ProtoStar, through its financial and legal advisors, engaged in an extensive and exhaustive effort to obtain postpetition financing in the months leading up to the Petition Date. This process was conducted in an exceedingly difficult financial climate, and no potential lender was willing to provide postpetition financing on more favorable terms from sources other than the PS II DIP Lenders under the PS II DIP Financing Documents.

129. Based on the facts and circumstances present in these cases, I believe the PS II DIP Financing and the use of the PS II Cash Collateral are fair and reasonable, reflect an exercise of prudent business judgment and constitute reasonably equivalent value and fair consideration. The matter was negotiated at arm's length and extensively and diligently considered by ProtoStar's management and submitted to the Board of Directors for approval. I believe ProtoStar's decision to agree to the PS II DIP Financing is reasonable under the circumstances, where no financing was available on different terms and where ProtoStar's need for liquidity was immediate.

130. I believe that the PS II DIP Financing with the PS II DIP Lenders is both necessary and appropriate under the circumstances, addresses ProtoStar's working capital and liquidity needs and should be approved.

K. Automatic Stay Motion

131. ProtoStar requests the Court enter an order enforcing and restating the automatic stay and bankruptcy termination provisions of the Bankruptcy Code (the "Automatic Stay Motion").

132. ProtoStar and its non-debtor affiliates include companies that are organized and/or operate in foreign jurisdictions including, without limitation, Bermuda,

Indonesia, Korea and Singapore, among other locations, and have creditors and counterparties to contracts that may not be well-versed in the provisions of, and restrictions imposed by, the Bankruptcy Code. Consequently, ProtoStar believes various potential parties in interest may attempt to seize assets located outside of the United States to the detriment of ProtoStar, its estates and its creditors, or take other actions in contravention of the automatic stay provided for under section 362 of the Bankruptcy Code. In addition, upon learning of ProtoStar's bankruptcy, counterparties to ProtoStar's leases and executory contracts may attempt to terminate such leases or contracts pursuant to bankruptcy termination provisions contained therein, in contravention of section 365 of the Bankruptcy Code.

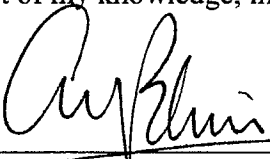
133. ProtoStar believes that such relief would be appropriate in order to apprise parties of the existence and effect of these sections, particularly for those in foreign jurisdictions who may not be familiar with the Bankruptcy Code, and will help prevent the avoidable expense of enforcing the provisions of the Bankruptcy Code against parties that might otherwise unwittingly violate those sections. Such an order will be helpful for ProtoStar in persuading its creditors, particularly its foreign creditors, of the existence of such protections.

134. I believe that an order restating sections 362 and 365 of the Bankruptcy Code is in the best interests of ProtoStar and its estates and will enable ProtoStar to continue to operate its businesses in chapter 11 without disruption.

Conclusion

135. I believe approval of the First Day Pleadings is in the best interests of all stakeholders. I respectfully request that the Court grant all relief requested in the pleadings and such and other further relief as may be just and proper.

I declare that this Declaration is true and correct to the best of my knowledge, information, and belief.

By: 

Cynthia M. Pelini
Chief Financial Officer