

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

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In re: : Chapter 11  
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LORAL SPACE & COMMUNICATIONS LTD., : Case No. 03-41710 (RDD)  
*et al.*, : :  
: :  
Reorganized Debtors. : (Jointly Administered)  
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**ORDER GRANTING IN PART THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' MOTION FOR SUMMARY JUDGMENT, DENYING IN ITS ENTIRETY GREENHILL'S MOTION FOR SUMMARY JUDGMENT, AND APPROVING IN PART AND DENYING IN PART GREENHILL'S FINAL FEE APPLICATION**

Upon consideration of the following:

- (1) the Application of Greenhill & Co., LLC (“Greenhill”) as Financial Advisor to the Debtors for Allowance of Final Compensation for Professional Services Performed from July 15, 2003 through July 31, 2005 (the “Final Fee Application”) [Docket # 2572];
- (2) the Limited Objection of the Official Committee of Unsecured Creditors (the “Official Committee”) of Loral Space & Communications Ltd., et al. (the “Debtors”) to Application of Greenhill & Co., LLC as Financial Advisor to the Debtors for Allowance of Final Compensation for Professional Services Performed from July 15, 2003 through July 31, 2005 [Docket # 2614] and the Supplement to Limited Objection of the Official Committee of Unsecured Creditors of Loral Space & Communications Ltd., et al. to Application of Greenhill & Co., LLC as Financial Advisor to the Debtors for Allowance of Final Compensation for Professional Services Performed from July 15, 2003 through July 31, 2005 [Docket # 2651];

(3) the Response of Greenhill & Co., LLC to the Limited Objection and Supplement to Limited Objection of the Official Committee of Unsecured Creditors of Loral Space & Communications Ltd., et al. to Greenhill & Co. LLC's Application as Final Advisor to the Debtors for Allowance of Final Compensation for Professional Services performed from July 15, 2003 through July 31, 2005 [Docket # 2661];

(4) the Official Committee's Notice of Motion for Summary Judgment [Docket # 2698] and Memorandum of Law in Support of the Official Committee's Motion for Summary Judgment Denying Greenhill's Final Fee Application [Docket # 2699], the Statement of Undisputed Material Facts Pursuant to Local Rule 56.1 in Support of the Official Committee's Motion for Summary Judgment Denying Greenhill's Final Fee Application [Docket # 2700], the Declaration of Mitchell P. Hurley in Support of the Official Committee's Motion for Summary Judgment and exhibits thereto [Docket # 2701], and the Declaration of Christine D. Doniak in Support of the Official Committee's Motion for Summary Judgment [Docket # 2702] (collectively, the "Official Committee's Motion for Summary Judgment");

(5) Greenhill's Notice of Motion for Summary Judgment [Docket # 2694], the Memorandum of Law of Greenhill & Co., LLC in Support of its Motion for Summary Judgment [Docket # 2695], the Statement of Undisputed Material Facts Pursuant to Local Bankruptcy Rule 7056-1 in Support of Greenhill & Co., LLC's Motion for Summary Judgment [Docket # 2696], the Affirmation of Eric Seiler and exhibits thereto [Docket # 2697] (collectively, "Greenhill's Motion for Summary Judgment");

(6) the Official Committee's Opposition to Greenhill's Motion for Summary Judgment [Docket # 2713], the Committee's Counterstatement to Greenhill's Rule 56.1

Statement [Docket # 2714], and the Declaration of Ryan C. Jacobs in Support of the Official Committee's Opposition to Greenhill's Motion for Summary Judgment [Docket # 2715]; and

(7) the Memorandum of Law of Greenhill & Co., LLC in Opposition to the Official Committee's Motion for Summary Judgment Denying Greenhill's Fee Application [Docket # 2710], Greenhill & Co., LLC's Response to the Official Committee's Statement of Undisputed Material Facts in Support of its Motion for Summary Judgment [Docket # 2711], and the Affirmation of Jeffrey R. Wang in Opposition to the Official Committee's Motion for Summary Judgment [Docket # 2712];

and the Court having held a hearing on June 7, 2006 (the "Hearing") on the Official Committee's and Greenhill's respective Motions for Summary Judgment, during which both the Official Committee and Greenhill presented oral arguments; and upon all of the proceedings had before the Bankruptcy Court; and upon the Bankruptcy Court's decision, a copy of which is annexed hereto as Exhibit A (the "Decision"); and sufficient cause appearing therefor, it is hereby:

DETERMINED, FOUND, ADJUDGED AND DECREED:

A. The Decision and this Order shall constitute the ruling of the Court with respect to the respective Motions for Summary Judgment; and

B. That the sale of certain assets to Intelsat Ltd. approved by this Court on October 30, 2003 and consummated on March 17, 2004 (the "Intelsat Transaction") did not qualify as a Sale as that term is defined in Greenhill's Engagement Letter<sup>1</sup> and, therefore,

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<sup>1</sup> All terms not otherwise defined herein shall have the meanings ascribed to them in the engagement letter between Greenhill and Loral Space & Communications Ltd. dated as of February 28, 2003 and entered into in late June or July of 2003 (the "Engagement Letter").

Greenhill was not entitled to be paid the gross Sale Fee of \$8,245,713 that it received upon consummation of the Intelsat Transaction; and

C. That the Intelsat Transaction and the repayment of the Debtors' prepetition secured lenders from the proceeds generated from the Intelsat Transaction did not qualify as a Reorganization as that term is defined in Greenhill's Engagement Letter and, therefore, Greenhill was not entitled to a Transaction Fee as a result of the Intelsat Transaction and related payment of prepetition secured debt; and

D. That Greenhill was entitled to the \$7,000,000 Transaction Fee upon consummation of the Debtors' Fourth Amended Joint Plan of Reorganization (the "Plan"); and

E. That all Monthly Advisory Fees (including all Initial Fees) paid to Greenhill for any period before Greenhill became entitled to the Transaction Fee must be credited against the Transaction Fee (the Court having found that if Greenhill had earned either a Sale Fee or a Transaction Fee as a result of and upon the closing of the Intelsat Transaction on March 17, 2004, all Monthly Advisory Fees paid for any period after such closing would not be so credited); and

F. As the Transaction Fee was earned upon consummation of the Plan, all Monthly Advisory Fees (including all Initial Fees) paid to Greenhill through consummation of the Plan, which amounted to an aggregate of \$6,700,000, must be credited against the Transaction Fee earned by Greenhill; and that

G. Greenhill therefore was entitled to be paid in connection with its engagement by Debtors \$6,700,000 in Monthly and Initial Advisory Fees, plus a \$300,000 Transaction Fee, for an aggregate total of \$7,000,000 in fees;

Based on the foregoing, it is hereby

ORDERED, that Greenhill's Motion for Summary Judgment is hereby DENIED in its entirety; and it is further

ORDERED, that the Official Committee's Motion for Summary Judgment is hereby GRANTED in part, and it is further

ORDERED, that Greenhill's Final Fee Application is approved in the amount of \$7,000,000, subject to adjustment based upon the resolution of the Termination Issue described below; and it is further

ORDERED, that Greenhill shall pay the sum of \$4,645,713, which sum represents the aggregate amount of payments made by the Debtors to Greenhill under the Greenhill Engagement Letter in excess of the \$7,000,000 to which it was entitled (the "Escrowed Payment") to a designated escrow agent to be jointly selected by Greenhill and the Official Committee (the "Escrow Fund"); and it is further

ORDERED, that the Escrow Fund shall be administered in accordance with an escrow agreement substantially in the form annexed hereto as Exhibit B; and it is further

ORDERED, that the sole remaining issues with respect to Greenhill's Final Fee Application are (i) whether Greenhill would have sought to terminate its engagement as financial advisor to Debtors had the Bankruptcy Court denied that portion of Greenhill's first interim fee application dated June 15, 2004 seeking an award of the Sale Fee<sup>1</sup> in connection with the sale of certain of Debtors' assets to Intelsat Ltd. approved by this Court on October 30, 2003 and consummated on March 17, 2004 (the "Intelsat Transaction") or, in the alternative, determined that the Intelsat Transaction did not constitute a Reorganization and, if so, what additional

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<sup>1</sup> All terms not otherwise defined herein shall have the meanings ascribed to them in the engagement letter between Greenhill and Loral Space & Communications Ltd. dated as of February 28, 2003 and entered into in late June or July of 2003 (the "Engagement Letter").

compensation Greenhill is entitled to, if any, as a result of Greenhill continuing to act as financial advisor to the Debtors subsequent to the consummation of the Intelsat Transaction (the “Termination Issue”) and (ii) whether Greenhill must pay interest on amounts paid to it in excess of that to which it was entitled and the appropriate calculations of such interest, if any (the “Interest Issue,” and, together with the Termination Issue, the “Remaining Issues”); and it is further

ORDERED, that the litigation of the Remaining Issues shall proceed as follows:

(i) Within ten business days of entry of this Order, (a) Greenhill shall file and serve a supplemental fee request (the “Supplemental Request”) indicating whether it contends it is entitled to any additional fees in connection with the Termination Issue, identifying the amount to which it claims to be entitled and the alleged basis for that entitlement, and (b) the Committee shall file and serve a request for an order requiring Greenhill to pay interest on the Escrowed Payment through the date of the establishment of the Escrow Fund (the “Interest Request”) setting forth the basis for its contention that Greenhill must pay interest on amounts paid to it in excess of that to which it was entitled, and the appropriate calculations of such interest, if any;

(ii) Within ten business days of the later of the service of Greenhill’s Supplemental Request or the Committee’s Interest Request, (a) the Official Committee shall file and serve its objection, if any, to Greenhill’s Supplemental Request (the “Committee’s Objection”) and (b) Greenhill shall file and serve its objection, if any, to the Committee’s Interest Request (“Greenhill’s Objection”);

(iii) Within five business days of service of the Committee’s Objection and Greenhill’s Objection, the parties shall serve requests for written discovery, if any, and the parties

shall identify, to the extent reasonably possible, the witnesses upon whose testimony they intend to rely in connection with the Supplemental Request and the Interest Request;

(iv) All discovery, including depositions, shall be completed within 30 days after service of requests for written discovery, and the parties shall work cooperatively and in good faith to ensure a full, fair and orderly exchange of information concerning the Remaining Issues;

(v) Five business days prior to the commencement of any hearing on the merits of the Remaining Issues, each party may serve and file a trial brief of no more than twenty pages;

(vi) A hearing on the merits of the Remaining Issues shall be held before the Court on October 24, 2006.

Dated: New York, New York  
July 21, 2006

/s/Robert D. Drain  
**HON. ROBERT D. DRAIN**  
**UNITED STATES BANKRUPTCY JUDGE**