

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

In re:

TERRESTAR CORPORATION, *et al.*,<sup>1</sup>

Debtors.

)  
) Chapter 11  
)  
) Case No. 11-10612 (SHL)  
)  
) Jointly Administered  
)

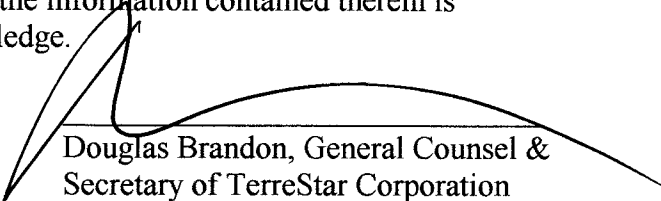
**MONTHLY OPERATING REPORT FOR THE PERIOD  
FROM NOVEMBER 1, 2012 TO NOVEMBER 30, 2012**

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The undersigned, having reviewed the attached report and being familiar with the TSC Debtors' financial affairs, verifies under penalty of perjury, that the information contained therein is complete, accurate and truthful to the best of my knowledge.

  
Douglas Brandon, General Counsel &  
Secretary of TerreStar Corporation

<sup>1</sup> The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal taxpayer-identification number, are: (a) TerreStar Corporation [6127] ("*TSC*") and TerreStar Holdings Inc. [0778] (collectively, the "*February Debtors*"); (b) TerreStar New York Inc. [6394]; Motient Communications Inc. [3833]; Motient Holdings Inc. [6634]; Motient License Inc. [2431]; Motient Services Inc. [5106]; Motient Ventures Holding Inc. [6191]; and MVH Holdings Inc. [9756] (collectively, the "*Other TSC Debtors*" and, collectively with the February Debtors, the "*TSC Debtors*").

# **TERRESTAR CORPORATION, ET AL.<sup>2</sup>**

## **Monthly Operating Reports For the period from November 1, 2012 to November 30, 2012**

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<sup>2</sup> This Monthly Operating Report includes information with respect to each of the TSC Debtors. As discussed further in the Monthly Operating Report, as of February 23, 2011, the Other TSC Debtors are no longer being jointly administered with TerreStar Networks Inc. (“*TSN*”) and its affiliated debtors and debtors in possession (collectively, the “*TSN Debtors*”).

# TERRESTAR CORPORATION, ET AL.

## Debtors-in-Possession

### Condensed Consolidated Balance Sheets (Unaudited)

**November 30, 2012**

#### ASSETS

##### Current assets

Cash and cash equivalents	\$ 1,702,323
Due from affiliated companies	53,340,188
Notes due from TerreStar Networks Inc. including accrued interest	59,975,000
Notes due from TerreStar Global LTD including accrued interest	15,695,683
Deferred issuance costs towards bridge loan	2,926,001
Other current assets	249,161

Total current assets	133,888,356
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Intangible assets	177,480,000
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Equity investments in affiliated companies	322,398,339
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<b>Total assets</b>	<b>\$ 633,766,695</b>
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#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### Current liabilities

Accounts payable and accrued expenses	\$ 20,445,032
Bridge loan, net	4,304,763
Other current liabilities	162,425
Series A cumulative convertible preferred stock	90,000,000
Series B cumulative convertible preferred stock	318,500,000
Series A and Series B cumulative convertible preferred stock dividends payable	89,284,500

Total current liabilities	522,696,721
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Deferred income taxes	25,773,205
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Total liabilities	548,469,926
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##### Stockholders' equity

Series C preferred stock (\$0.01 par value, 1 share authorized and 1 share issued and outstanding at April 30, 2012)	-
Series D preferred stock (\$0.01 par value, 1 share authorized and 1 share issued and outstanding at April 30, 2012)	-
Series E junior convertible preferred stock (\$0.01 par value, 1,900,000 shares authorized and 1,200,000 shares issued and outstanding at April 30, 2012)	12,000

Common stock; voting, par value \$0.001; authorized 240,000,000 shares; 142,750,399 shares issued and 138,799,197 shares outstanding as of April 30, 2012	1,427,504
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Additional paid-in capital	964,769,152
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Treasury stock (3,951,202 common shares held in treasury stock at April 30, 2012)	(73,876,875)
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Accumulated deficit	(807,035,011)
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Total stockholders' equity	85,296,770
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<b>Total liabilities and stockholders' equity</b>	<b>\$ 633,766,695</b>
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**TERRESTAR CORPORATION, ET AL.**  
**Debtors-in-Possession**

**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	<b>Month Ended</b> <b>November 30, 2012</b>
<b>Revenues</b>	\$ 40,680
<b>Operating expenses</b>	
General and administrative	1,029,974
Research and development	-
Depreciation	-
Total operating expenses	<u>1,029,974</u>
<b>Net operating income</b>	(989,294)
Interest expense	(195,561)
Accrued Dividends on Series A&B Preferred Stock	(2,052,604)
Interest and other income	<u>125,934</u>
<b>Loss before income taxes</b>	(3,111,524)
<b>Net Loss</b>	<u><u>\$ (3,111,524)</u></u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**TERRESTAR CORPORATION, ET AL.**  
**Debtors-in-Possession**

**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Month Ended</b> <b>November 30, 2012</b>
<b>Cash Flows From Operating Activities</b>	
Net loss	\$ (3,111,524)
Adjustments to reconcile net loss to net cash used in operating activities:	
Bad debt of accounts receivable due from LightSquared	-
Interest income- Affiliates	(125,934)
Changes in assets and liabilities:	
Accounts payable and accrued expenses	0
Accrued interest	0
Accrued dividends on Series A&B preferred stock	2,052,604
Deferred revenue	(40,680)
Other current assets	0
Net cash used in operating activities	<u>(1,225,535)</u>
<b>Net Increase (decrease) in cash and cash equivalents</b>	<u>(1,225,535)</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>\$ 2,927,858</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 1,702,323</u></u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

# TERRESTAR CORPORATION, ET AL.

## Debtors-in-Possession

### Notes to Condensed Consolidated Financial Statements

#### 1. Background and Bankruptcy

**Background** - TerreStar Corporation (“*the Company*,” “*TSC*,” “*we*,” “*us*” or “*our*”) is a Delaware corporation whose main assets are its rights to use 1.4 GHz terrestrial spectrum (“*1.4 Spectrum*”) pursuant to 64 FCC licenses held by TerreStar 1.4 Holdings LLC (“*1.4 Holdings*”), a non-debtor that is wholly owned by TerreStar Holdings Inc. (“*TS Holdings*”).

As of the TSC Debtors’ filing of their respective chapter 11 cases, 1.4 Holdings was party to a lease agreement (the “*Spectrum Lease*”) with One Dot Four Corp. (“*One Dot Four*”), pursuant to which One Dot Four leased the right to use the 1.4 Spectrum for which 1.4 Holdings holds the FCC licenses. Pursuant to the Spectrum Lease, One Dot Four paid 1.4 Holdings \$2,000,000 per month. On or about April 1, 2012, One Dot Four defaulted on its payment to 1.4 Holdings pursuant to the Spectrum Lease. As a result, 1.4 Holdings issued a notice of default to One Dot Four with respect to the Spectrum Lease on April 3, 2012. One Dot Four and 1.4 Holdings agreed to terminate the Spectrum Lease as of April 20, 2012. Since that time, 1.4 Holdings has entered into a short-term lease agreement with FirstEnergy Service Company (“*FirstEnergy*”) whereby FirstEnergy is leasing the right to use a geographically small portion of the 1.4 Spectrum over the next year subject to certain termination rights. This lease will provide the TSC Debtors with approximately \$40,000 per month in revenue.

Although TSC, through its wholly owned subsidiary Motient Ventures Holding Inc. (“*MV Holding*”), held an indirect 89% ownership interest in TerreStar Networks Inc. (“*TSN*”), which operated a separate and distinct mobile communications business, this ownership interest was divested through TSN’s chapter 11 proceedings.

**Chapter 11 Cases** – On October 19, 2010 (the “*October Petition Date*”), the Other TSC Debtors each filed a voluntary petition for relief in the United States Bankruptcy Court for the Southern District of New York (the “*Court*”) under chapter 11 of title 11 of the United States Code (the “*Bankruptcy Code*”). On February 16, 2011 (the “*February Petition Date*”), the February Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the Court. On February 23, 2011, the Court entered an order approving the joint administration of the February Debtors’ cases with the Other TSC Debtors’ cases [Docket No. 11].<sup>3</sup> In addition, the Court entered an order applying certain orders that were entered in the TSN Debtors’ chapter 11 cases to the February Debtors [Docket No. 13, 41].<sup>4</sup>

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<sup>3</sup> In connection therewith, on February 23, 2011, the Court entered an order modifying the joint administration order in the chapter 11 cases of TSN and its affiliated debtors in possession (the “*TSN Debtors*”) to provide that the Other TSC Debtors’ cases would no longer be jointly administered with the TSN Debtors’ chapter 11 cases.

<sup>4</sup> The orders entered in the TSN Debtors’ chapter 11 cases that the Court made applicable to the February Debtors’ cases included orders regarding the cash management systems, interim compensation procedures, creditor matrix, case management, insurance coverage and payment of taxes. The Court also applied orders covering the retention of Akin Gump Strauss Hauer & Feld LLP, The Garden City Group, Inc. and various law firms and professionals to the February Debtors.

The TSC Debtors are operating their businesses and managing their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

On the February Petition Date, the February Debtors and MV Holding sought approval of ongoing access to cash collateral as well as approval to enter into an aggregate \$13,368,421.05 secured debtor-in-possession financing facility (the “**Initial DIP Facility**”), with the February Debtors as borrowers and MV Holding as guarantor. The Initial DIP Facility was secured by a first lien on all of the February Debtors’ assets, subject to certain existing liens.

The Initial DIP Facility carried a 12.5% interest rate. The Initial DIP Facility contained negative and affirmative covenants standard for debtor-in-possession financing facilities, as well as various operational performance covenants. On March 9, 2011, the Court entered an order approving the TSC Debtors’ entry into the Initial DIP Facility on a final basis [Docket No. 43]. The Initial DIP Facility was paid and satisfied in full on or about January 3, 2012.

On July 22, 2011, the TSC Debtors filed an omnibus objection to certain proofs of claim that the TSC Debtors determined were asserted on account of equity interests in TSC, seeking to disallow and expunge such proofs of claim from the TSC Debtors’ claims register [Docket No. 142]. The Court entered an order granting such objection on August 26, 2011 [Docket No. 176].

Also on July 22, 2011, the TSC Debtors filed the *Joint Chapter 11 Plan of TerreStar Corporation, Motient Communications Inc., Motient Holdings Inc., Motient License Inc., Motient Services Inc., Motient Ventures Holding Inc., MVH Holdings Inc., TerreStar Holdings Inc. and TerreStar New York Inc.* [Docket No. 141] (as may be amended, modified, or supplemented from time to time, the “**Plan**”). On August 3, 2011, the TSC Debtors filed the *Disclosure Statement for the Joint Chapter 11 Plan of TerreStar Corporation, Motient Communications Inc., Motient Holdings Inc., Motient License Inc., Motient Services Inc., Motient Ventures Holding Inc., MVH Holdings Inc., TerreStar Holdings Inc. and TerreStar New York Inc.* [Docket No. 149] (as may be amended, modified, or supplemented from time to time, the “**Disclosure Statement**”). On December 27, 2011, the TSC Debtors filed a revised Plan [Docket No. 313] and Disclosure Statement [Docket No. 315] to reflect, among other things, events that had transpired since the filing of the Plan and Disclosure statement, modify, add, or amend certain language on account of comments received from various parties in interest in the Debtors’ chapter 11 cases, and correct various clerical and typographical errors. On January 12, 2012, the TSC Debtors filed a further revised Plan [Docket No. 336] and Disclosure Statement [Docket No. 338] to, among other things, modify, add, or amend certain language on account of comments and objections received from various parties in interest. The Court entered an order approving the Disclosure Statement, as amended, on January 17, 2012 [Docket No. 343]. On February 3, 2012, the TSC Debtors filed the plan supplement documents, as contemplated by the Plan [Docket No. 364]. On June 27, 2012, the TSC Debtors filed a further revised Plan [Docket No. 513]. Also on June 27, 2012, the TSC Debtors filed a supplement to the Disclosure Statement [Docket No. 515], which the TSC Debtors amended on August 10, 2012 [Docket No. 564] (as may be amended, modified, or supplemented from time to time, the “**Disclosure Statement Supplement**”). Three holders of TSC common equity filed documents with the Court setting forth certain questions and objections they have with respect to, among other things, the Plan [Docket Nos. 553, 554, 556, 563]. The Court entered an order that, among other things, approved the adequacy of the Disclosure Statement Supplement and authorized the TSC Debtors to solicit votes with respect to the Plan, as amended, on August 24, 2012 [Docket No. 591] (the “**Disclosure Statement Order**”). The Disclosure Statement Order also set (a) September 28, 2012 as the deadline for parties to object to the Plan and the deadline for parties entitled to vote to cast their ballots with respect to the Plan and (b) October 10, 2012 as the date of the hearing on confirmation of the Plan. On September 2, 2012, Jeffrey Swarts (“**Swarts**”) served discovery requests on the TSC Debtors in connection with, among other things, the Plan and the valuation of the TSC Debtors’ assets contained therein. As required by the Disclosure Statement Order, the TSC Debtors filed their Amended Plan Supplement documents on September 7, 2012 [Docket

No. 611]. The TSC Debtors filed the solicitation version of the Plan on September 11, 2012 [Docket No. 614]. Certain holders of TSC common equity filed objections to confirmation of the Plan on the basis that, among other things, the Plan was not fair and equitable to TSC common shareholders and that the TSC Debtors had undervalued their assets [Docket Nos. 154, 381, 396, 415, 416, 553, 554, 556, 563, 578, 579, 607, 608, 613, 625, 636, 637, 638, 639, 640, 649, 660, 661, 664]. On October 5, 2012, the TSC Debtors filed their memorandum of law in support of confirmation of the Plan [Docket No. 650]. After a hearing on October 10, 2012, the Court confirmed the Plan on the record, and the Court entered the confirmation order on October 24, 2012 [Docket No. 668]. On November 9, 2012, Aldo Perez filed a notice of appeal of the confirmation order [Docket No. 691].<sup>5</sup>

On August 9, 2011, the TSC Debtors, with the support of certain holders of preferred equity interests in TSC, filed a motion seeking approval of a compensation program to adequately compensate certain key executives of TSC who currently receive no compensation for their services provided to the TSC Debtors and to incentivize such key executives to maximize the net equity value of the TSC Debtors [Docket No. 155]. On August 18, 2011, Elektrobit Inc. (“*Elektrobit*”) filed an objection to such motion and, as a result, the TSC Debtors agreed to defer consideration of the hearing on the transaction bonus portion of the motion until the hearing on confirmation of the TSC Debtors’ plan. The Court entered an order approving the motion on August 26, 2011 [Docket No. 177].

On August 29, 2011, Swarts filed an objection to the Disclosure Statement, which included a request for the Court to appoint an independent examiner to conduct a valuation of the TSC Debtors’ interests in the 1.4 Spectrum [Docket No. 179]. The Swarts request was joined by Mohawk Capital LLC (“*Mohawk*”) on September 15, 2011 [Docket No. 203]. On September 15, 2011, Perez also filed an objection to the Disclosure Statement, together with a request for the Court to appoint an examiner [Docket No. 207]. On September 15, 2011, the TSC Debtors and Solus Alternative Asset Management LP and certain of its managed and affiliated funds (“*Solus*”) each filed an objection to such request [Docket Nos. 201, 202]. A hearing on such requests was held on September 19, 2011, and the Court entered an order denying such requests on September 23, 2011 [Docket No. 217] (the “*Denial Order*”).<sup>6</sup> On October 11, 2011, Perez filed a motion for reconsideration of the Denial Order and for appointment of an examiner [Docket No. 232]. This request was joined by Swarts [Docket No. 272]. A hearing on the motion to reconsider the Denial Order was held on November 16, 2011, where the Court denied the motion to reconsider the Denial Order and, separately, denied Perez’s request to appoint an examiner in the TSC Debtors’ cases [Docket No. 290]. Perez has filed a notice of appeal with respect to the Court’s denial of his requests to appoint an examiner [Docket Nos. 310, 334, and 335].

On August 31, 2011, the TSC Debtors filed a stipulation, entered into by and among the TSC Debtors and Elektrobit, temporarily allowing and valuing Elektrobit’s claim for voting purposes only [Docket No. 183]. On September 8, 2011, the Court entered an order approving such stipulation [Docket No. 193].

On September 6, 2011, the TSC Debtors filed an omnibus objection to certain proofs of claim that the TSC Debtors determined had been amended and superseded, were not in compliance with the Bankruptcy Code or the TSC Debtors’ bar date order, had been fully or partially satisfied or were filed in an improper amount, seeking to disallow and expunge such proofs of claim from the TSC Debtors’ claims register [Docket No. 187]. A hearing on such objection was held October 12, 2011, and the Court entered an order granting the

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<sup>5</sup> The notice of appeal was dated November 5, 2012 by Perez, entered on the Court’s docket on November 21, 2012, and stamped received by the Court on November 9, 2012.

<sup>6</sup> In July and August 2011, certain TSC shareholders requested the appointment of an official equity committee in the TSC Debtors’ cases. The TSC Debtors and the TSN Committee each submitted a written response to such requests to the U.S. Trustee and, on September 2, 2011, the U.S. Trustee declined to appoint an official equity committee in these chapter 11 cases.



relief requested on October 12, 2011 [Docket No. 234]. The hearing was adjourned to November 16, 2011 with respect to claim numbers 33, 61 and 64. Following the November 16, 2011 hearing, the Court entered a supplemental order disallowing and expunging such claims from the TSC Debtors' claims register [Docket No. 286].

On November 14, 2011, the TSC Debtors filed a motion to approve a settlement [Docket No. 270] between the TSC Debtors, Sprint Nextel Corporation ("**Sprint**"), one of the TSC Debtors' most significant claimholders, Solus, Highland Capital Management, L.P. and certain of its managed and affiliated funds ("**Highland**") and Harbinger Capital Partners LLC and certain of its managed and affiliated funds ("**Harbinger**"). Sprint asserted a claim against each of the TSC Debtors in the amount of approximately \$104 million. Pursuant to the settlement, Sprint agreed to forego any distribution they would be entitled to receive under the Plan, and instead, agreed to receive an assignment of TSC's rights to receive the first \$2.6 million payable on account of an intercompany claim. In short, rather than the TSC Debtors potentially (a) incurring millions of dollars in fees, (b) delaying exit from chapter 11 on account of time-consuming litigation, and (c) potentially having an additional \$104 million in debt upon emergence from chapter 11, TSC assigned its right to receive payment from TSN of \$2.6 million in cash to Sprint to resolve Sprint's claim. A hearing on the settlement was held on December 14, 2011, and the Court entered an order authorizing the TSC Debtors' entry into the settlement on December 15, 2011 [Docket No. 299].

On November 16, 2011, the TSC Debtors filed an objection [Docket No. 275] to the approximately \$27.9 million claim asserted by Elektrobit in the TSC Debtors' cases (the "**TSC Elektrobit Claim**"). Highland, Solus and Harbinger also filed a joint objection to the TSC Elektrobit Claim on November 16, 2011 [Docket No. 276]. On December 12, 2011, Elektrobit filed an omnibus response to these two objections [Docket No. 296]. Elektrobit contemporaneously filed a motion to approve a case management order with respect to the TSC Elektrobit Claim [Docket No. 297]. A status conference on the TSC Elektrobit Claim and case management order was held on January 10, 2012, and the Court approved an agreed case management order on January 25, 2012 [Docket No. 353]. In March 2012, Elektrobit and the TSC Debtors agreed to toll discovery and litigation regarding the TSC Elektrobit Claim through April 12, 2012. In August 2012, the TSC Debtors, Elektrobit, Highland, Solus, West Face Long Term Opportunities Global Master L.P. and certain of its managed and affiliated funds ("**West Face**"), as successors in interest to Harbinger, and OZ Management, L.P. and certain of its managed and affiliated funds ("**Och-Ziff**," and together with Highland, Solus and West Face, the "**Preferred Shareholders**") reached a settlement (the "**Elektrobit Settlement**") regarding the TSC Elektrobit Claim and various other disputes (both pending and potential) in the TSC Debtors' chapter 11 cases between Elektrobit, on the one hand, and the TSC Debtors and the Preferred Shareholders, on the other hand. Pursuant to the Elektrobit Settlement, in full and final satisfaction of the TSC Elektrobit Claim and in resolution of all other issues between Elektrobit, on the one hand, and the TSC Debtors and the Preferred Shareholders, on the other hand, related to the TSC Debtors' chapter 11 cases, (a) Elektrobit will receive a cash payment of \$13.5 million (the "**Elektrobit Settlement Amount**") upon entry of an order approving the Elektrobit Settlement, (b) Elektrobit will support the Plan and (c) the TSC Debtors and the Preferred Shareholders, on the one hand, and Elektrobit, on the other hand, agree to mutually release one another from any and all claims and causes of action related to the TSC Debtors' chapter 11 cases. On August 2, 2012, the TSC Debtors (with the support of the Preferred Shareholders) filed a motion to approve the Elektrobit Settlement [Docket No. 558]. Van Vlissingen and Co. filed an objection to the Elektrobit Settlement on August 21, 2012 [Docket No. 577]. The TSC Debtors filed a reply to such objection on August 22, 2012 [Docket No. 581], which Elektrobit [Docket No. 584] and the Preferred Shareholders [Docket No. 586] joined on August 23, 2012. The Court entered an order approving the Elektrobit Settlement on August 24, 2012 [Docket No. 593].

On January 4, 2012, the TSC Debtors filed a motion to approve a settlement with Jefferies & Company, Inc. ("**Jefferies**"), resolving claim numbers 8-14, 81, 82 and 165-171 in an unsecured amount, as amended, of potentially over \$14 million. Pursuant to the settlement, Jefferies agreed to forego any distribution it would

have been entitled to receive under the Plan, and instead agreed to receive an assignment of TSC's rights to receive cash on account of an intercompany claim against TSN up to an amount equal to \$1 million minus the distribution that Jefferies receives from TSN based on allowed unsecured claim against TSN in the amount of \$1.7 million. To the extent that these amounts do not equal \$1 million, TSC will make a cash payment to Jefferies after the two distributions described above have been made so that Jefferies' total recovery is \$1 million. The settlement was approved by the Court's order entered January 30, 2012 [Docket No. 358].

On January 9, 2012, Mohawk filed a motion seeking standing to pursue an alleged intercompany fraudulent transfer action [Docket No. 328]. The TSC Debtors filed an objection to Mohawk's motion on January 18, 2012 [Docket No. 345]. The Court denied Mohawk's standing motion by order entered on February 27, 2012 [Docket No. 400].

On January 26, 2012, the TSC Debtors filed an objection to the claim filed by Swarts (Claim No. 142) [Docket No. 357]. In response to the objection, Swarts filed a declaration, response, and response addendum [Docket Nos. 363, 417, 423]. On March 12, 2012, the TSC Debtors filed a reply to these documents [Docket No. 421]. A hearing on the claim objection was held on March 16, 2012. The Court reserved judgment on the Swarts claim and set a supplemental response deadline of March 23, 2012. Following the hearing, the TSC Debtors reviewed voluminous additional documents submitted by Swarts in connection with his claim, which were entered on the docket [Docket Nos. 427, 429, 430, 433 & 446]. A telephonic hearing on the Swarts claim was held on March 30, 2012, where the Court granted the TSC Debtors' objection to the claim, and an order reflecting such ruling was entered on April 6, 2012 [Docket No. 455]. On September 26, 2012, Swarts filed a motion to reconsider the denial of the Swarts claim [Docket No. 633], which was amended by Swarts on October 24, 2012 [Docket No. 670].

On February 10, 2012, the TSC Debtors filed a motion seeking entry of an order establishing notification and hearing procedures that must be satisfied before certain transfers of preferred stock of TSC or of any beneficial interest therein, including options to acquire such stock, are deemed effective [Docket No. 376]. On February 17, 2012, the Court entered an interim order establishing such notification and hearing procedures [Docket No. 387]. A final hearing on the motion was held on March 7, 2012, and the Court entered a final order approving the motion on March 8, 2012 [Docket No. 413].

On June 15, 2012, the TSC Debtors filed a motion seeking authority to enter into a consulting agreement with RKF Engineering Solutions, LLC ("**RKF Engineering**") to assist the TSC Debtors in evaluating the technical and engineering aspects of the 1.4 Spectrum and informing the TSC Debtors' decision-making with respect to the 1.4 Spectrum [Docket No. 497]. Pursuant to the terms of the agreement, RKF Engineering will receive a one-time consultation fee of \$45,000. The Court entered an order approving the TSC Debtors' agreement with RKF Engineering on July 9, 2012 [Docket No. 533]. On July 13, 2012, the TSC Debtors received a draft analysis report from RKF (the "**RKF Report**"). The RKF Report is referenced in and utilized in connection with the updated valuation of the 1.4 Spectrum, as reflected in the TSC Debtors' updated valuation analysis filed on August 15, 2012 [Docket No. 569].

On June 7, 2012, the TSC Debtors filed a motion to further extend the exclusive filing period and the exclusive solicitation period for the February Debtors through and including August 9, 2012 and October 8, 2012, respectively [Docket No. 490].<sup>7</sup> On June 15, 2012, the Court entered an order extending the February Debtors' exclusive filing period until such time as the Court has entered an order determining the motion [Docket No. 495]. On July 9, 2012, the Court entered an order extending the February Debtors' exclusive periods through and including August 9, 2012 and October 8, 2012, respectively [Docket No. 534].

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<sup>7</sup> The exclusive period during which only the Other TSC Debtors may file a plan expired on April 11, 2012 and may not be further extended pursuant to Bankruptcy Code section 1121(d)(2).

Also on June 7, 2012, Elektrobit filed a motion requesting that the Court set a status conference in the TSC Debtors' cases and enter an order establishing a schedule for consideration of the TSC Debtors' proposed plan [Docket No. 489]. The TSC Debtors filed a response to Elektrobit's motion on June 25, 2012 [Docket No. 509] to clarify various facts and assertions set forth in Elektrobit's motion. In addition, Highland, Solus, and West Face filed an objection to Elektrobit's motion [Docket No. 508]. In connection therewith, a status conference was held on July 2, 2012 with respect to, among other things, the Plan.

On June 27, 2012, the TSC Debtors filed a motion requesting authority to appoint a chief restructuring officer and to make certain payments pursuant to a restructuring compensation program, which was developed by the TSC Debtors in connection with their restructuring efforts [Docket No. 514] (the "**CRO Motion**"). The Court entered an order approving the CRO Motion on August 24, 2012 [Docket No. 590]. In connection with such order, on August 30, 2012, Jeffrey Epstein, Douglas Brandon and Eugene I. Davis each filed a declaration with the Court stating that they do not hold an interest materially adverse to the TSC Debtors [Docket No. 600].

On June 27, 2012, the TSC Debtors filed a motion [Docket No. 512] (the "**2012 DIP Financing Motion**") seeking authority to enter into a \$3 million secured debtor-in-possession financing facility (the "**2012 DIP Facility**"), with the February Debtors as borrowers and MV Holding as guarantor (collectively, the "**Credit Parties**"). Subsequent to the filing of the 2012 DIP Financing Motion, the TSC Debtors negotiated the Elektrobit Settlement, which contemplated that the Elektrobit Settlement Amount would be funded by the TSC Debtors' DIP lenders in the form of an increased 2012 DIP Facility. Accordingly, on August 2, 2012, the TSC Debtors filed a supplemental motion [Docket No. 560] (the "**Supplemental DIP Financing Motion**") and together with the Initial DIP Financing Motion, the "**DIP Financing Motion**") seeking to increase the amount of the 2012 DIP Facility from \$3 million to \$16.5 million to provide the TSC Debtors with sufficient cash to fund the Elektrobit Settlement. On August 2, 2012, Elektrobit filed a reservation of rights [Docket No. 559] with respect to the DIP Financing Motion, the CRO Motion and the motion to consider the adequacy of the Disclosure Statement Supplement, preserving its rights with respect to such motions in the event the Court did not approve the Elektrobit Settlement.<sup>8</sup>

The Court entered an order approving the DIP Financing Motion on August 24, 2012 [Docket No. 592]. The 2012 DIP Facility is secured by a first lien on all of the Credit Parties' assets, subject to certain existing liens.

On August 31, 2012, the TSC Debtors filed a notice stating that, concurrently with the TSC Debtors' prosecution of the Plan, the TSC Debtors were also seeking alternative transactions for the sale of any or all of the TSC Debtors' assets that could result in greater value for the TSC Debtors' stakeholders and estates than the value that would result from the Plan including, without limitation, TSC's indirect equity interest in 1.4 Holdings and the rights to use the 1.4 Spectrum [Docket No. 602] (the "**Notice of Marketing**"). The Notice of Marketing also provided that the TSC Debtors would provide interested parties that execute a standard non-disclosure agreement with access to confidential and non-public information with respect to such assets. A publication version of the Notice of Marketing was subsequently published in the national editions of The Washington Post and USA Today on September 5, 2012 and September 6, 2012, respectively [Docket No. 619].

## **2. Significant Accounting Policies**

**Basis of Presentation** - The condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("**GAAP**"). The financial

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<sup>8</sup> As stated above, the Court entered an order approving the Elektrobit Settlement on August 24, 2012 [Docket No. 593].

statements include the accounts of the Company and its wholly owned subsidiary TerreStar 1.4 Holdings LLC.

The accompanying condensed consolidated financial statements do not include any adjustments that results in connection with our filing for reorganization under Chapter 11 on February 16, 2011.

***Use of Accounting Estimates*** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's most significant estimates relate to the fair value of stock-based compensation, and long-lived assets. Due to the inherent uncertainty involved in using estimates, actual results reported in future periods could differ from those estimates.

***Cash and Cash Equivalents*** - The Company considers all highly liquid investments with original maturities of ninety days or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

***Concentrations of Credit Risk*** - Financial instruments, which are potentially subject to concentrations of credit risk, consist principally of cash and short-term investments. We periodically invest funds in short-term investments primarily in United States Treasury money market funds. At November 30, 2012, we had approximately \$1.7 million in highly liquid short-term investments. To date, we have not experienced any losses on cash or investments.

***Fair Value of Financial Instruments*** - The carrying amounts of certain of our financial instruments, such as cash and cash equivalents, restricted cash, investments, receivables, accounts payable and accrued liabilities approximate their fair values based on their short maturities. The fair value of certain financial instruments such as our Series A & B Preferred Stock differs from its carrying value recorded in the accompanying condensed consolidated financial statements.

***Intangible Asset*** - Intangible assets consists of the value of indefinite lived 1.4GHz spectrum licenses. No impairment, if any, is recorded, pursuant to Chapter 11 filing by the TSC Debtors on February 16, 2011.

***Equity Investments*** - Our equity investment in affiliates primarily consist of approximately 89.3% and 86.5% interest in TerreStar Networks Inc. and TerreStar Global Ltd., respectively.

***Revenue Recognition*** - Our revenue currently is derived primarily from a spectrum-leasing agreement. We recognize spectrum lease revenue over the term of the lease.

***Income Taxes*** - Income taxes are accounted for using the liability method of accounting. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes that enacted date. If it is more likely than not that some portion of all of the deferred tax assets will not be realized, a valuation allowance is recognized.

### ***Series A and B Preferred Stock***

Pursuant to the outstanding redemption obligation as of August 15, 2010, we account for Series A and B Preferred Stock as current liability under the applicable accounting standard guidance. Dividends on Series A and B Preferred Stock are due bi-annually in April and October, payable at TSC's option in cash at a rate of 5.25% per annum or in common stock at a rate of 6.25% per annum through August 2010. Per the terms of the issuance, on August 2010, we had a redemption requirement of \$408.5 million in principal plus unpaid dividends accrued. We did not redeem the Series A and B Preferred Stock on the redemption date.

# TERRESTAR CORPORATION, ET AL.

## Debtors-in-Possession

### Schedule of Cash Disbursements by Legal Entity

		Period from November 1, 2012 to November 30, 2012
Debtor	Case Number	Disbursements
TSC Debtors		
TerreStar Corp.	11-10612	\$1,225,535
TerreStar Holdings Inc.	11-10613	-
TerreStar New York Inc.	10-15445	-
Motient Communications Inc.	10-15452	-
Motient Holdings Inc.	10-15453	-
Motient License Inc.	10-15454	-
Motient Services Inc.	10-15455	-
Motient Ventures Holding Inc.	10-15458	-
MVH Holdings Inc.	10-15462	-

# TERRESTAR CORPORATION, ET AL.

## Debtors-in-Possession

### Debtor Questionnaire

<b>Case No.</b>	
(Jointly Administered)	11-10612 (SHL)
Reporting Period	November 30, 2012

<b>Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheet if necessary.</b>	<b>Yes</b>	<b>No</b>
Have any assets been sold or transferred outside the normal course of business this reporting period?		<b>X</b>
Have any funds been disbursed from any account other than a debtor in possession account this reporting period?		<b>X</b>
Is the Debtor delinquent in the timely filing of any post-petition tax returns?		<b>X</b>
Are workers compensation, general liability or other necessary insurance coverages expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies?		<b>X</b>
Is the Debtor delinquent in paying any insurance premium payment?		<b>X</b>
Have any payments been made on pre-petition liabilities this reporting period?		<b>X</b>
Are any post petition receivables (accounts, notes or loans) due from related parties?		<b>X</b>
Are any post petition payroll taxes past due?		<b>X</b>
Are any post petition State or Federal income taxes past due?		<b>X</b>
Are any post petition real estate taxes past due?		<b>X</b>
Are any other post petition taxes past due?		<b>X</b>
Have any pre-petition taxes been paid during this reporting period?		<b>X</b>
Are any amounts owed to post petition creditors delinquent?		<b>X</b>
Are any wage payments past due?		<b>X</b>
Have any post petition loans been received by the Debtor from any party?	<b>X<sup>(1)</sup></b>	
Is the Debtor delinquent in paying any U.S. Trustee fees?		<b>X</b>
Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		<b>X</b>
Have the owners or shareholders received any compensation outside of the normal course of business?		<b>X</b>

(1) Represents the Initial DIP Facility and the 2012 DIP Facility more fully described on pages 7 and 11, respectively of the Monthly Operating Report. The Initial DIP Facility was repaid in full on or about January 3, 2012.

**TERRESTAR CORPORATION, ET AL.**  
**Debtors-in-Possession**

**Schedule of Payments to Insiders and Professionals**

	Period From November 1 - November 30
<b><u>Retained Professionals</u></b>	<b><u>Disbursements</u></b>
Akin Gump Strauss Hauer & Feld LLP	\$ 711,785
 <b><u>Other Professionals</u></b>	
The Blackstone Group	\$ 90,430
US Trustee (New York, NY)	\$ 22,593
Deloitte	\$ 85,626
The Garden City Group Inc.	\$ 53,640
 <b><u>Insiders</u></b>	
Management	- (1)
Board of Directors	-
Partial Compensation Payment	- (2)

(1) Pursuant to the order authorizing the TSC Debtors to make certain payments in connection with their Restructuring Compensation Program entered by the Court on August 24, 2012 [Docket No. 590], as of the date hereof, the TSC Debtors have paid a total of \$225,000 to Jeffrey Epstein, Douglas Brandon and Eugene I. Davis.

(2) Pursuant to the order approving the TSC Debtors' Management Compensation Program entered by the Court on August 26, 2011 [Docket No. 177], the TSC Debtors have paid a total of \$300,000 to executives Jeffrey Epstein, Douglas Brandon and Vincent Loiacono.