

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:)
) Chapter 11
TERRESTAR CORPORATION, *et al.*,¹)
) Case No. 11-10612 (SHL)
)
Debtors.) Jointly Administered
)

**MONTHLY OPERATING REPORT FOR THE PERIOD
FROM APRIL 1, 2011 TO APRIL 30, 2011**

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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 I. Brandon, General Counsel
& Secretary of TerreStar Corporation

¹ 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.

Monthly Operating Reports For the period from April 1, 2011 to April 30, 2011

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TERRESTAR CORPORATION, ET AL.
Debtors-in-Possession

Condensed Consolidated Balance Sheets
(Unaudited)

	<u>April 30,</u> <u>2011</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 8,418,554
Due from affiliated companies	162,599,691
Notes due from TerreStar Networks Inc. including accrued interest	63,121,918
Notes due from TerreStar Global LTD including accrued interest	14,877,372
Deferred issuance costs towards bridge loan	2,941,000
Deferred issuance costs towards debtors in possession loan	534,737
Deferred issuance costs	-
Other current assets	342,040
Total current assets	<u>252,835,312</u>
Property and equipment, net	-
Intangible assets	177,480,000
Equity investments in affiliated companies	322,398,339
Total assets	<u>\$ 752,713,651</u>
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	
Current liabilities	
Accounts payable and accrued expenses	\$ 2,863,619
Bridge loan, net	4,304,763
Debtors in Possession loan, net	9,556,696
Deferred revenue	4,466,667
Other current liabilities	175,542
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	50,288,802
Total current liabilities	<u>480,156,089</u>
Other non current liabilities	5,575
Deferred income taxes	25,773,205
Total liabilities	<u>505,934,869</u>
Commitments and Contingencies	
Series A cumulative convertible preferred stock	-
Series B cumulative convertible preferred stock	-
Stockholders' equity	
Series C preferred stock (\$0.01 par value, 1 share authorized and 1 share issued and outstanding at April 30, 2011 and 2010)	-
Series D preferred stock (\$0.01 par value, 1 share authorized and 1 share issued and outstanding at April 30, 2011 and 2010)	-
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, 2011 and 2010)	12,000
Common stock; voting, par value \$0.001; authorized 240,000,000 shares; 143,331,108 and 143,718,487 shares issued and 139,379,906 and 139,767,285 shares outstanding as of April 30, 2011 and 2010	1,433,311
Additional paid-in capital	1,074,015,209
Common stock purchase warrants	-
Treasury stock (3,951,202 common shares held in treasury stock at April 30, 2011 and 2010)	(73,876,875)
Accumulated deficit	(754,804,863)
Total stockholders' equity	<u>246,778,782</u>
Total liabilities and stockholders' equity	<u>\$ 752,713,651</u>

TERRESTAR CORPORATION, ET AL.
Debtors-in-Possession

Condensed Consolidated Statements of Operations
(Unaudited)

	Month Ended April 30, 2011
Revenues ⁽¹⁾	\$ 2,000,000
Operating expenses	
General and administrative	637,590
Research and development	-
Depreciation	-
Total operating expenses	637,590
Net operating income	1,362,410
Interest expense	(168,091)
Accrued Dividends on Series A&B Preferred Stock	(2,052,604)
Interest and other income	742,411
	(115,874)
Income before income taxes	(115,874)
Income tax provision	-
Net Loss	(115,874)

(1) Pursuant to a pre-petition agreement with Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and HGW Holding Company, L.P., this amount was pre-paid in January 2010.

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)

		Month Ended
		April 30, 2011
Cash Flows Used In Operating Activities		
Net income (loss)	\$	(115,874)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest income- Affiliates		(742,373)
Changes in assets and liabilities:		
Accounts payable and accrued expenses		207,310
Accrued interest		23,009
Accrued dividends on Series A&B preferred stock		2,052,604
Deferred revenue		(2,000,000)
Other current assets		(8,392)
Net cash used in operating activities		(583,716)
Net decrease in cash and cash equivalents		(583,716)
Cash and cash equivalents, beginning of period		9,002,270
Cash and cash equivalents, end of period	\$	8,418,554

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.

In September 2009, 1.4 Holdings entered into a lease agreement (the “*Spectrum Lease*”) with One Dot Four Corp. (“*One Dot Four*”), pursuant to which One Dot Four leases 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 pays 1.4 Holdings \$2,000,000 per month. One Dot Four has prepaid the Spectrum Lease through June 2011.

Although TSC, through its wholly owned subsidiary Motient Ventures Holding Inc. (“*MV Holding*”), has an indirect 89% ownership interest in TerreStar Networks Inc. (“*TSN*”), which operates a separate and distinct mobile communications business, it is expected that this ownership interest will be 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].² 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].³

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. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases.

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 “*DIP Facility*”), with the February Debtors as borrowers and MV Holding as guarantor. The DIP Facility is secured by a first lien on all of the February Debtors’ assets, subject to certain existing liens.

² In connection therewith, on February 23, 2011, the Court entered an order modifying the joint administration order in the TSN Debtors’ cases to provide that the Other TSC Debtors’ cases would no longer be jointly administered with the TSN Debtors’ chapter 11 cases.

³ 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 DIP Facility carries a 12.5% interest rate. The DIP Facility contains negative and affirmative covenants standard for debtor-in-possession financing facilities, as well as various operational performance covenants. The DIP Facility contains various events of default, including, without limitation, that on or before November 30, 2011, the Court shall have entered an order confirming a plan of reorganization for the February Debtors.

On March 9, 2011, the Court entered an order approving the TSC Debtors' entry into the DIP Facility on a final basis [Docket No. 43].

On May 2, 2011, the Other TSC Debtors filed a motion seeking to extend the exclusive periods during which only the Other TSC Debtors may file a chapter 11 plan and solicit acceptances thereof [Docket No. 86], so that such periods would correspond with the respective exclusive periods for the February Debtors. On May 19, 2011, the Court granted the motion and entered an order extending (i) the exclusive period of time during which the Other TSC Debtors may file a plan of reorganization through and including June 16, 2011 and (ii) the period of time during which only the Other TSC Debtors may solicit acceptances of a plan of reorganization through and including August 15, 2011, without prejudice to the Other TSC Debtors' ability to seek further extensions of such exclusive periods [Docket No. 96].

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 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 April 30, 2011, we had approximately \$8.0 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 April 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 April 15, 2010. Per the terms of the issuance, on April 15, 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

Debtor	Case Number	Period from April 1, 2011 to April 30, 2011 Disbursements
TSC Debtors		
TerreStar Corp	11-10612	627,923
Terrestar Holdings Inc.	11-10613	-
Terrestarr 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 Holdings Inc.	10-15458	-
MVH Holdings Inc.	10-15462	-

TERRESTAR CORPORATION, ET AL.
Debtors-in-Possession

Debtor Questionnaire

Case No. (Jointly Administered)	11-10612 (SHL)
Reporting Period	April 30, 2011

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.	Yes	No
Have any assets been sold or transferred outside the normal course of business this reporting period?		X
Have any funds been disbursed from any account other than a debtor in possession account this reporting period?		X
Is the Debtor delinquent in the timely filing of any post-petition tax returns?		X
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?		X
Is the Debtor delinquent in paying any insurance premium payment?		X
Have any payments been made on pre-petition liabilities this reporting period?		X
Are any post petition receivables (accounts, notes or loans) due from related parties?		X
Are any post petition payroll taxes past due?		X
Are any post petition State or Federal income taxes past due?		X
Are any post petition real estate taxes past due?		X
Are any other post petition taxes past due?		X
Have any pre-petition taxes been paid during this reporting period?		X
Are any amounts owed to post petition creditors delinquent?		X
Are any wage payments past due?		X
Have any post petition loans been received by the Debtor from any party?	X	
Is the Debtor delinquent in paying any U.S. Trustee fees?		X
Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		X
Have the owners or shareholders received any compensation outside of the normal course of business?		X