

**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  
)

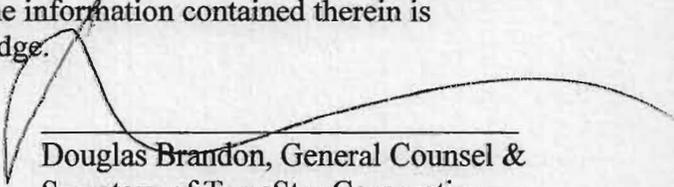
**MONTHLY OPERATING REPORT FOR THE PERIOD  
FROM SEPTEMBER 1, 2011 TO SEPTEMBER 30, 2011**

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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 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 September 1, 2011 to September 30, 2011**

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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 for TerreStar Networks Inc. (“*TSN*”) and its affiliated debtors and debtors in possession (collectively, the “*TSN Debtors*”), dated March 18, 2011, as of February 23, 2011, the Other TSC Debtors are no longer being jointly administered with the TSN Debtors.

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

**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

	<b>September 30, 2011</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 12,225,055
Due from affiliated companies	53,333,913
Notes due from TerreStar Networks Inc. including accrued interest	66,265,753
Notes due from TerreStar Global LTD including accrued interest	15,507,044
Deferred issuance costs towards bridge loan	2,941,000
Deferred issuance costs towards debtors in possession loan	534,737
Other current assets	194,270
Total current assets	151,001,772
Intangible assets	177,480,000
Equity investments in affiliated companies	322,398,339
<b>Total assets</b>	<b>\$ 650,880,111</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
<b>Current liabilities</b>	
Accounts payable and accrued expenses	\$ 3,237,925
Bridge loan, net	4,304,763
Debtors in Possession loan, net	9,554,737
Deferred revenue	1,466,667
Other current liabilities	212,162
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	60,551,823
Total current liabilities	487,828,077
Other non current liabilities	5,575
Deferred income taxes	25,773,205
Total liabilities	513,606,857
<b>Stockholders' equity</b>	
Series C preferred stock (\$0.01 par value, 1 share authorized and 1 share issued and outstanding at September 30, 2011)	-
Series D preferred stock (\$0.01 par value, 1 share authorized and 1 share issued and outstanding at September 30, 2011)	-
Series E junior convertible preferred stock (\$0.01 par value, 1,900,000 shares authorized and 1,200,000 shares issued and outstanding at September 30, 2011)	12,000
Common stock; voting, par value \$0.001; authorized 240,000,000 shares; 143,304,272 shares issued and 139,353,070 shares outstanding as of September 30, 2011	1,433,043
Additional paid-in capital	964,763,613
Treasury stock (3,951,202 common shares held in treasury stock at September 30, 2011)	(73,876,875)
Accumulated deficit	(755,058,527)
Total stockholders' equity	137,273,254
<b>Total liabilities and stockholders' equity</b>	<b>\$ 650,880,111</b>

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

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

	<b>Month Ended</b> <b>September 30, 2011</b>
<b>Revenues</b>	\$ 2,000,000
<b>Operating expenses</b>	
General and administrative	581,311
Total operating expenses	<u>581,311</u>
<b>Net operating income</b>	1,418,689
Interest expense	(161,693)
Accrued Dividends on Series A&B Preferred Stock	(2,052,604)
Interest and other income	<u>748,592</u>
<b>Income before income taxes</b>	(47,016)
<b>Net Loss</b>	<u>(47,016)</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)**

	<u>Month Ended</u> <u>September 30, 2011</u>
<b>Cash Flows From Operating Activities</b>	
Net loss	\$ (47,016)
Adjustments to reconcile net loss to net cash used in operating activities:	
Interest income- Affiliates	(742,372)
Changes in assets and liabilities:	
Accounts payable and accrued expenses	(2,124)
Accrued interest	12,473
Accrued dividends on Series A&B preferred stock	2,052,604
Other current assets	21,356
Net cash received in operating activities	<u>1,294,921</u>
<b>Net decrease in cash and cash equivalents</b>	1,294,921
<b>Cash and cash equivalents, beginning of period</b>	10,930,134
<b>Cash and cash equivalents, end of period</b>	<u>\$ 12,225,055</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.

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].<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>

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.

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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 TSN Debtors’ cases 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 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].

On June 16, 2011, the TSC Debtors filed a motion seeking to further extend their exclusive periods, thereby automatically extending their exclusive periods until a hearing on such motion could be held [Docket No. 112]. On July 18, 2011, the Court entered an order extending the TSC Debtors' exclusive periods through and including August 15, 2011 and October 14, 2011, respectively [Docket No. 132].

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].

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"). A hearing to consider the adequacy of the Disclosure Statement is currently scheduled for November 22, 2011.

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 12, 2011, the TSC Debtors filed a motion seeking to further extend their exclusive periods during which only the TSC Debtors may file a chapter 11 plan and solicit acceptances thereof by 91 days, to November 14, 2011 and January 13, 2012, respectively [Docket No. 159]. On August 15, 2011, the Court

entered a bridge order extending the TSC Debtors' exclusive period to file a chapter 11 plan until such time as the Court has entered an order determining the motion [Docket No. 160]. The Court entered an order granting such motion on September 19, 2011 [Docket No. 209].

On August 29, 2011, Jeffrey 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 GHz spectrum [Docket No. 179]. The Swarts request was joined by Mohawk Capital LLC on September 15, 2011 [Docket No. 203]. On September 15, 2011, Aldo 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 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].<sup>5</sup> On October 11, 2011, Aldo I. Perez filed a motion for reconsideration of the Court's order denying the requests [Docket No. 232]. A hearing on the motion for reconsideration is currently set for November 16, 2011.

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 relief requested on October 12, 2011 [Docket No. 234].<sup>6</sup>

## **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.

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<sup>5</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.

<sup>6</sup> The hearing was adjourned to November 16, 2011 with respect to claim numbers 33, 61 and 64.

**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 September 30, 2011, we had approximately \$6.0 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 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

<b>Debtor</b>	<b>Case Number</b>	<b>Period from September 1, 2011 to September 30, 2011 Disbursements</b>
<b>TSC Debtors</b>		
TerreStar Corp.	11-10612	624,605
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**

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

<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?		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 <sup>(1)</sup>	
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

(1) Represents DIP facility more fully described on page 6 of this Monthly Operating Report.

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

**Schedule of Payments to Insiders and Professionals**

	<b>Period From Sept 1 - Sept 30 <u>Disbursements</u></b>
<b><u>Retained Professionals</u></b>	
Akin Gump Strauss Hauer & Feld LLP	\$210,588
The Blackstone Group	
The Garden City Group Inc.	20,771
<b><u>Other Professionals</u></b>	
Weil Gotshal & Manges	135,745
Wachtell Lipton Rosen & Katz	144,383
Quinn Emanuel	
R4 Services	
US TRUSTEE New York NY	
Colbeck Capital Mgmt	
Iron Mountain Records Management	
Miller Advertising Agency	
Lord Securities Corporation	3,500
<b><u>Management</u></b>	
Partial Compensation Payment	30,000 <sup>(1)</sup>

(1) 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 \$218,531 to executives Jeffery Epstein, Douglas Brandon, and Vincent Loiacono.