UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
TERRESTAR NETWORKS INC., *et al.*,[1]	)	Case No. 10-15446 (SHL)
Debtors.	)	Jointly Administered

MONTHLY OPERATING REPORT FOR THE PERIOD
FROM MAY 1, 2011 TO MAY 31, 2011

Debtors' Address: 12010 Sunset Hills Road
6th Floor
Reston, VA 20190

Debtors' Counsel: Ira S. Dizengoff
Arik Preis
Ashleigh L. Blaylock
Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, New York 10036

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

s/ Douglas Brandon
Douglas Brandon, General Counsel &
Secretary of TerreStar Networks Inc.

[1] The debtors in the TerreStar Networks Inc., et al. chapter 11 cases, along with the last four digits of each debtor's federal taxpayer-identification number, are: TerreStar Networks Inc. [3931] ("TSN"); TerreStar License Inc. [6537]; TerreStar National Services Inc. [6319]; TerreStar Networks Holdings (Canada) Inc. [1337]; TerreStar Networks (Canada) Inc. [8766]; and 0887729 B.C. Ltd. [1345] (collectively, the "TSN Debtors" or the "Debtors").

TERRESTAR NETWORKS INC., ET AL.

Monthly Operating Reports
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TERRESTAR NETWORKS INC., ET AL.
Debtor-in-Possession

Condensed Consolidated Balance Sheets
(Unaudited)

	May 31, 2011	May 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,720,579	$ 5,533,347
Inventories, net	7,546,704	-
Due from TerreStar Global	9,351	43,976
Deferred issuance costs, net (includes $950,547 and $0 towards Debtors in possession loan for May 31, 2011 and 2010, respectively)	2,982,721	2,032,173
Other current assets	3,391,446	3,576,388
Total current assets	17,650,801	11,185,884
Restricted cash	238,217	473,914
Property and equipment (net of accumulated depreciation $69,340,655 and $15,764,175 as of May 31, 2011 and 2010, respectively)	1,029,127,766	1,008,084,203
Intangible assets (net of accumulated amortization $537,739 and $417,381 as of May 31, 2011 and 2010, respectively)	741,517	861,875
Deferred issuance costs	3,471,629	5,503,802
Total assets	$ 1,051,229,930	$ 1,026,109,678
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 83,104,436	$ 40,729,529
Debtors in Possession Loan, net	59,019,864	-
Due to TerreStar Corporation	52,658,984	49,713,884
Deferred satellite performance incentives	15,011,143	12,297,363
Deferred rent	965,747	878,108
TerreStar-2 Purchase Money Credit Agreement including contingent interest derivative and accrued interest, thereon	93,684,066	-
Total current liabilities	304,444,240	103,618,884
TerreStar Notes including contingent interest derivative and accrued interest, thereon (net of discount $43,509,294 and $48,374,632 as of May 31, 2011 and 2010, respectively)	993,662,625	845,243,877
TerreStar Exchangeable Notes and accrued interest, thereon (net of discount $51,388,889 and $68,055,556 as of May 31, 2011 and 2010, respectively)	127,358,818	106,294,879
TerreStar-2 Purchase Money Credit Agreement including contingent interest derivative and accrued interest, thereon	-	71,803,923
Deferred revenue	40,000,000	20,000,000
Deferred satellite performance incentives, net of current portion	6,163,253	7,254,626
Due to TerreStar Corporation, net of current portion	63,758,904	56,258,904
Deferred rent, net of current portion	84,717	1,043,141
Total liabilities	1,535,472,557	1,211,518,234
Stockholders' deficit		
Common stock; voting, par value $0.001; authorized 50,000,000 shares; 40,898,979 shares issued and outstanding as of May 31, 2011 and 2010	40,899	40,899
Additional paid-in capital	519,609,275	518,413,928
Cumulative translation adjustment	7,889,426	2,192,546
Accumulated deficit	(1,011,782,227)	(706,055,929)
Total stockholders' deficit	(484,242,627)	(185,408,556)
Total liabilities and stockholders' deficit	$ 1,051,229,930	$ 1,026,109,678

TERRESTAR NETWORKS INC., ET AL.
Debtor-in-Possession

Condensed Consolidated Statements of Operations
(Unaudited)

	MONTH ENDED MAY 31, 2011	MONTH ENDED MAY 31, 2010
Revenues	$ 152,255	$ -
Operating expenses		
Cost of goods sold	278,694	50,000
General and administrative (including cost of network service)	5,549,738	4,806,889
Research and development	158,881	12,056,654
Depreciation and amortization	5,313,141	653,533
Total operating expenses	11,300,454	17,567,076
Net operating loss	(11,148,199)	(17,567,076)
Interest expense	(13,628,816)	(6,525,733)
Interest and other (expense) income	(2,460)	4,445
Net loss	$ (24,779,475)	$ (24,088,364)

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

TERRESTAR NETWORKS INC., ET AL.
Debtor-in-Possession

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	MONTH ENDED MAY 31, 2011	MONTH ENDED MAY 31, 2010
Cash Flows Used In Operating Activities		
Net (loss) Income	$ (24,779,475)	$ (24,088,364)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,313,141	653,533
Amortization of debt discount and deferred issuance costs	2,203,883	676,565
Interest income		
Changes in assets and liabilities:		
Due from TerreStar Corporation	(383)	(43)
Due from TerreStar Global	-	96,327
Accounts payable and accrued expenses	(625,379)	3,597,754
Inventories	116,589	-
Deferred rent	(74,802)	(63,317)
Accrued interest	11,648,253	5,849,169
Deferred revenue	-	20,000,000
Other current assets	29,716	(579,337)
Net cash used in operating activities	(6,168,457)	6,142,287
Cash Flows Used In Investing Activities		
Restricted cash	(145)	-
Additions to property and equipment, net	(300,000)	(1,381,085)
Net cash used in investing activities	(300,145)	(1,381,085)
Cash Flows from Financing Activities		
Proceeds from debtor in possession loan, net	4,135,600	-
Net cash provided by financing activities	4,135,600	-
Foreign exchange effect on cash and cash equivalents	(5,837)	(7,127)
Net increase (decrease) in cash and cash equivalents	(2,338,839)	4,754,075
Cash and cash equivalents, beginning of period	6,059,418	779,272
Cash and cash equivalents, end of period	$ 3,720,579	$ 5,533,347

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

TERRESTAR NETWORKS INC., ET AL.
Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements

1. Background and Bankruptcy

Background **-** TerreStar Networks Inc. ("the Company", "TerreStar Networks", "we", "us" or "our"), in cooperation with its Canadian partners, TerreStar Canada and TerreStar Solutions, majority-owned subsidiaries of Trio 1 and 2 General Partnerships ("Trio"), operates an innovative wireless communications system providing mobile coverage throughout the United States and Canada using integrated satellite-terrestrial smartphones and other devices. This network is based on an integrated satellite and ground-based technology intended to provide communication service in most hard-to-reach areas and will provide a nationwide interoperable, survivable and critical communications infrastructure. We provide multiple communications applications, including voice, data and short messaging.

On September 21, 2010, our dual-mode cellular/satellite smartphone, the TerreStar™ GENUS™ ("GENUS"), was made available for enterprise, government and small business customers by AT&T as part of AT&T's new Satellite Augmented Mobile Service.

Chapter 11 Cases **-** On October 19, 2010 (the "Petition Date"), each of the TSN Debtors filed a petition with this Court under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The TSN 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.

Also on October 19, 2010, Motient Communications Inc.; Motient Holdings Inc.; Motient License Inc.; Motient Services Inc.; Motient Ventures Holding Inc.; MVH Holdings Inc.; TerreStar New York Inc. (the foregoing entities are collectively referred to as the "Non-TSN Debtors") each filed a petition for relief under chapter 11 of the Bankruptcy Code. On October 20, 2010, the Court entered an order providing for joint administration, for procedural purposes, of the TSN Debtors' cases (the "Joint Administration Order"), which at that time included the Non-TSN Debtors.

On the Petition Date the Debtors sought approval of ongoing access to cash collateral as well as approval to enter into an aggregate $75 million junior secured debtor-in-possession financing facility (the "DIP Facility"). The DIP Facility is secured by a first lien on all of the Debtors' assets, subject to the liens held by the Debtors' Senior Secured Noteholders and the lenders under the PMCA. In addition, the DIP Facility is guaranteed by all of the Debtors; however, the guarantee provided by the Non-TSN Debtors is limited to the aggregate amount of DIP Facility funds these entities actually receive from the DIP Financing Facility, as fully set forth in the DIP Facility and the Interim DIP Order (defined below)).

Ultimately, as set forth below, pursuant to the First Amendment to the DIP Facility (filed on November 12, 2010), the Non-TSN Debtors were removed as guarantors upon the repayment of the minimal funds loaned to such entities. The DIP Facility carries a 15% interest rate, (which is paid-in-kind), and was issued with a 2% original issue discount. The DIP Lenders received a 3% commitment fee for providing the DIP Facility, which was also paid-in-kind. 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, complying with the following milestones: (1) the TSN Debtors file a plan and disclosure statement on or before November 5, 2010; (2) receive Bankruptcy Court approval of the disclosure statement on or before

December 14, 2010; (3) commence a hearing to confirm the plan before January 31, 2011; and (4) obtain Bankruptcy Court approval of the plan by February 14, 2011. On October 20, 2010, the Bankruptcy Court entered an order approving the Debtors' entry into the DIP Facility on an interim basis (the "Interim DIP Order") [Docket No. 35].

On October 20, 2010, the Bankruptcy Court entered an order approving the Debtors' entry into the DIP Facility on an interim basis (the "Interim DIP Order") [Docket No. 35].

On November 12, 2010, the TSN Debtors filed the First Amendment to the DIP Facility [Docket No. 153]. Pursuant to Amendment #1, the DIP Facility was amended, among other things, as follows: (1) the milestone requirement that the Debtors receive Bankruptcy Court approval of the Debtors' assumption of the RSA (defined below) within 35 days of the Petition Date was eliminated; (2) from and after the date on which all advances made by TSN and its subsidiaries to the Non-TSN Debtors are repaid in full in cash, the Non-TSN Debtors will cease to be Loan Parties or Guarantors (each as defined in the DIP Facility) of the TSN Debtors' obligations under the DIP Facility and any security interests granted in any collateral of the Non-TSN Debtors will be released and terminated; (3) the first measurement date for the operational covenants requiring the TSN Debtors to (a) earn a certain minimum amount of revenue from the Roam-In Business and (b) achieve a certain minimum number of subscribers was moved from November 30, 2010 to December 31, 2010; and (4) the date of the next draw of the DIP Facility was set for December 15, 2010, in the amount of $6 million.

The Non-TSN Debtors did not receive any advances under the DIP Facility. Accordingly, under the First Amendment to the DIP Facility, as of November 12, 2010, the Non-TSN Debtors ceased to be Loan Parties or Guarantors of the TSN Debtors' obligations under the DIP Facility and any security interests granted in any collateral of the Non-TSN Debtors were released and terminated. The final hearing on the DIP Motion was held on November 16, 2010, and on November 18, 2010, the Bankruptcy Court entered an order approving the Debtors' entry into the DIP Facility on a final basis (the "Final DIP Order") [Docket No. 181].

On December 14, 2010, the TSN Debtors filed the Second Amendment to the DIP Facility [Docket No. 270]. Pursuant to this amendment: (1) the milestone requirement for receipt of Bankruptcy Court approval of the disclosure statement was moved from December 14, 2010 to December 22, 2010; (2) the milestone requirement for commencement of a hearing by the Bankruptcy Court on confirmation of an Acceptable Plan was moved from January 31, 2011 to February 14, 2011; (3) the milestone requirement for entry of a final, non appealable order by the Bankruptcy Court confirming an Acceptable Plan was moved from February 14, 2011 to February 28, 2011; (4) the milestone requirement for filing with the FCC or Industry Canada all necessary applications and notifications as required by the DIP Facility was moved from December 14, 2010 to December 22, 2010; and (5) in light of the TSN Debtors' cash management, the next funding date under the DIP Facility (at which time $6 million will be drawn) was moved from December 15, 2010 to December 23, 2010. Subsequently, EchoStar Corporation, the Debtors' DIP Lender, agreed to amend the DIP Facility Milestones to no later than March 7, 2011 (for commencement of the Confirmation Hearing) and March 25, 2011 (for entry of final order confirming the Plan).

On February 2, 2011, the TSN Debtors filed the Third Amendment and Fourth Amendment to the DIP Facility [Docket No. 392]. Pursuant to the Third Amendment, the milestone requirement for (1) commencement of a hearing by the Bankruptcy Court on confirmation of an Acceptable Plan was moved from February 14, 2011 to no later than March 7, 2011 and (2) the milestone requirement for entry of a final, non appealable order by the Bankruptcy Court confirming an Acceptable Plan was moved from February 28, 2011 to no later than March 25, 2011. Pursuant to the Fourth Amendment, the Agreed Budget (as defined in the DIP Facility) was amended.

On February 16, 2011, the TSN Debtors filed the Fifth Amendment to the DIP Facility [Docket No. 423]. Pursuant to the Fifth Amendment, the milestone requirements previously contained in the DIP Facility were eliminated and the definition of "Acceptable Plan" was eliminated.

On May 3, 2011, the TSN Debtors filed the Sixth Amendment to the DIP Facility [Docket No. 575]. The Sixth Amendment, *inter alia,* eliminated the event of default in the DIP Facility that would otherwise have been triggered by the TSN Debtors' receiving court approval to enter into an agreement with a third party other than a Designated Party (as that term is defined in the DIP Facility), to serve as a "stalking horse" bidder in connection with a sale of substantially all of the TSN Debtors' assets under section 363 of the Bankruptcy Code.

On June 14, 2011, the TSN Debtors filed their *Motion for Entry of an Order Authorizing the Debtors to Enter into the Eighth Amendment to Their Debtor-in-Possession Loan Agreement to (A) Increase the Amount of the Commitment Thereunder Until the Funding Date of the Proposed Sale Transaction and (B) Extend the Maturity Date* [Docket No. 620] (the "DIP Amendment Motion"). The relief sought in the DIP Amendment Motion will be necessary only if the proposed Stalking Horse Bidder[2] is the Successful Bidder at the TSN Debtors' Auction. Specifically, the Eighth Amendment to the DIP Facility would extend the maturity date of the DIP Facility beyond its current date (July 19, 2011) to September 30, 2011 and would increase the Commitment under the DIP Facility by an additional $15 million to $90 million. These amendments to the DIP Facility would enable the Debtors the time and funding necessary to bridge from entry of an order approving the sale of assets to the Stalking Horse Bidder to the Funding Date under the Purchase Agreement. If necessary, the DIP Amendment Motion is scheduled to be heard on July 7, 2011 at 1:00 p.m. (ET), with a corresponding objection deadline of July 5, 2011 at 12:00 p.m. (ET).

On November 5, 2010, the TSN Debtors filed the *Joint Chapter 11 Plan of TerreStar Networks Inc., TerreStar National Services Inc., 0887729 B.C. Ltd., TerreStar License Inc., TerreStar Networks Holdings (Canada) Inc. and TerreStar Networks (Canada) Inc.* [Docket No. 82] (as may be amended, modified or supplemented from time to time, the "Plan") and the *Disclosure Statement for the Joint Chapter 11 Plan of TerreStar Networks Inc., TerreStar National Services Inc., 0887729 B.C. Ltd., TerreStar License Inc., TerreStar Networks Holdings (Canada) Inc. and TerreStar Networks (Canada) Inc.* [Docket No. 83] (as may be amended, modified or supplemented from time to time, the "Disclosure Statement"). On December 22, 2010, the Bankruptcy Court entered an order approving the Disclosure Statement and the TSN Debtors' began solicitation of votes on the Plan.

On January 26, 2011, the Debtors filed their Motion for an Order, Pursuant to Section 1121(d) of the Bankruptcy Code, Extending the Exclusive Periods During Which Only the Debtors May File a Chapter 11 Plan and Solicit Acceptance Thereof [Docket No. 374] and on February 16, 2011, the Bankruptcy Court entered the Order Granting Bridge Extension Of The Exclusive Period During Which Only The Debtors May File A Chapter 11 Plan [Docket No. 420] to March 9, 2011. On March 9, 2011, the Bankruptcy Court entered an order extending the TSN Debtors' and Non-TSN Debtors' exclusive period to file a chapter 11 plan and solicit acceptances thereof by seventy-five (75) days to May 23, 2011 and July 22, 2011, respectively [Docket No. 467]. On May 2, 2011, the TSN Debtors filed their Second Motion for an Order, Pursuant to Section 1121(d) of the Bankruptcy Code, Extending the Exclusive Periods During Which Only the Debtors May File a Chapter 11 Plan and Solicit Acceptance Thereof [Docket No. 570], and on May 19, 2011, the Bankruptcy Court entered an order extending the TSN Debtors' exclusive period to file a chapter 11 plan and solicit acceptances thereof by ninety (90) days to August 22, 2011 and October 20, 2011, respectively [Docket No. 597].

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[2] Capitalized terms used but not defined in this paragraph shall have the meaning ascribed to them in the Stalking Horse Motion (defined below).

On February 16, 2011, the TSN Debtors filed a Notice of Withdrawal of the Plan [Docket No. 424] and the confirmation of the Plan previously scheduled to be heard on March 4, 2011 has been cancelled.

Also on February 16, 2011, TerreStar Corporation and TerreStar Holdings Inc. each filed a petition for relief in this Court under chapter 11 of the Bankruptcy Code (the "February Debtors"). On February 23, 2011, the Court entered an order amending the Joint Administration Order to remove the Non-TSN Debtors from administration under the TerreStar Networks Inc. case number. Contemporaneously therewith, the Court entered an order providing for the joint administration of the cases of the February Debtors and the Non-TSN Debtors.

On May 15, 2011, the TSN Debtors filed their *Motion Pursuant to 11 U.S.C. §§ 105, 363, 365, 503 and 507 and Fed. R. Bankr. P. 2002, 4001, 6004, 6006, 9008 and 9014, for Entry of (i) an Order Approving (a) Bid Procedures, (b) Notice of Sale, Auction, and Sale Hearing, (c) Assumption Procedures and Related Notices; and (ii) an Order Approving the Sale of Substantially All of the Debtors' Assets* [Docket No. 533] (the "Sale Motion") seeking approval of, among other things, bid and auction procedures and the sale of substantially all of the TSN Debtors' assets. The bid and auction procedures (the "Bid Procedures") sought in the Sale Motion were approved by the Bankruptcy Court on May 4, 2011. On June 7, 2011, the Debtors filed the *Notice of Revised Sale Process Dates* [Docket No. 613], which extended each of the deadlines initially set in the Bid Procedures Order by one week.

On June 14, 2011, the Debtors filed their *Motion for Entry of an Order (I) Authorizing the Debtors to Enter into a Stalking Horse Agreement and (II) Approving Certain Bid Protections in Connection Therewith* [Docket No. 617] (the "Stalking Horse Motion") and a motion to shorten the notice period for the Stalking Horse Motion [Docket No. 618]. Also on June 14, 2011, the Debtors filed their *Second Notice of Revised Sale Process Dates* [Docket No. 619]. On June 15, 2011, the Bankruptcy Court entered the *Order Approving Debtor's Motion To Shorten The Time For Notice Of The Hearing To Consider The Debtors' Motion For Entry Of An Order (I) Authorizing The Debtors To Enter Into The Stalking Horse Agreement And (II) Approving Certain Bid Protections In Connection Therewith* [Docket No. 621], which order scheduled the hearing on the Stalking Horse Motion for June 21, 2011 at 2:00 p.m. (ET), with objections due on June 17, 2011 at 5:00 p.m. (ET); as of the date of this Monthly Operating Report no objections to the Stalking Horse Motion have been received. Pursuant to the Second Sale Process Dates Notice and as discussed in the Stalking Horse Motion, the Bid Deadline[3] is June 27, 2011 at 5:00 p.m. (ET) and if more than one Initial Incremental Qualified Bid (as defined in the Stalking Horse Motion) is received by the Bid Deadline, the Debtors will conduct an Auction on June 30, 2011 beginning at 9:00 a.m. (ET) at the offices of Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036. A hearing to approve the sale of substantially all of the TSN Debtors' assets to the Successful Bidder is proposed to be held on July 7, 2011 at 1:00 p.m. (ET), with a corresponding objection deadline of July 5, 2011 at 12:00 p.m. (ET).

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, its wholly-owned subsidiary TerreStar National Services, Inc., its wholly-owned subsidiary 4506901 Canada Incorporated, and TerreStar Canada, a variable interest entity. We consolidated the accounts of TerreStar Canada into our consolidated financial statements as we concluded that we were the primary beneficiary of TerreStar Canada. All intercompany accounts are eliminated upon consolidation.

[3] Capitalized terms used but not defined in this paragraph shall have the meaning ascribed to them in the Bid Procedures.

The accompanying condensed consolidated financial statements do not include any adjustments that results in connection with our filing for reorganization under Chapter 11 on October 19, 2010.

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 derivatives, 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. As of May 31, 2011, we had $0.2 million of restricted cash held in money market escrow accounts. This amount is restricted in accordance with various leases and security deposits. The carrying amount of the restricted cash approximates fair value due to short-term maturities.

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 May 31, 2011, we had approximately $2.1 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 notes, exchangeable notes and related long-term debt differs from its carrying value recorded in the accompanying condensed consolidated financial statements.

Property and Equipment – We record property and equipment ("P&E"), including leasehold improvements at cost. P&E consists of costs associated with our satellites and associated ground network infrastructure, lab, office and computer equipment, software, and leasehold improvements. The satellite and terrestrial network assets under construction primarily include materials, labor, equipment, satellite launch insurance premium and interest related to the construction and development of our satellite and terrestrial network. Assets under construction are not depreciated until placed into service. Pursuant to acceptance of Space Based Network on August 6, 2010, we commenced depreciation of TerreStar-1 and the core network infrastructure, as they were ready for their intended use.

Inventories **–** Inventories include our satellite handsets and accessories. We value inventories at the lower of cost (determined on a first-in, first-out basis) or market.

Revenue Recognition **–** Our revenue currently is derived primarily from a spectrum-leasing agreement. We recognize spectrum lease revenue over the term of the lease. Revenue from sale of handsets and related accessories recorded as gross revenue, are recognized upon delivery, when title is transferred to the customer.

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.

Research and Development Costs – The costs of research and development activities are expensed when incurred. Research and development activities consist of time and material costs related to the development of our handset technology, integrated satellite and terrestrial communications network, salaries, wages and other related costs of personnel engaged in research and development activities.

Translation of Foreign Currencies – The assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates. Income and expense items are translated into U.S. dollars at average rates of exchange prevailing during the period. The gains and losses that result from this process are accumulated in a separate component of stockholders' (deficit) equity.

Recently Issued Accounting Pronouncements - Effective January 1, 2010, we adopted the new accounting standard issued by FASB in June 2009, which requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity and to continuously assess whether they must consolidate VIE's. The adoption of the standard did not have material impact on our condensed consolidated financial statements as we continue to consolidate our VIE, TerreStar Canada.

In October 2009, the FASB issued an accounting guidance update related to revenue arrangements with multiple deliverables. The guidance relates to the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting and modifies the manner in which the consideration under the arrangement is allocated across the individual deliverables. The guidance was effective for us beginning on January 1, 2011 and the adoption did not have any material impact, on our condensed consolidated financial statements.

TERRESTAR NETWORKS INC., ET AL.
Debtor-in-Possession

Schedule of Cash Disbursements by Legal Entity

Debtor	Case Number	Period from May 1, 2011 to May 31, 2011 Disbursements
TSN Debtors		
TerreStar Networks Inc.	10-15446 (SHL)	6,455,202
TerreStar License Inc.	10-15446 (SHL)	-
TerreStar National Services Inc.	10-15446 (SHL)	-
0887729 B.C. Ltd	10-15446 (SHL)	-
TerreStar Networks (Canada) Inc.	10-15446 (SHL)	203,592
TerreStar Networks Holdings (Canada)	10-15446 (SHL)	-

TERRESTAR NETWORKS INC., ET AL.
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Status of Post-Petition Taxes

Federal	Amount Withheld/Accrued	Date Paid	Amount Withheld/ Accrued	Date Paid	Amount Withheld/ Accrued	Date Accrued
Federal income tax	60,054.65	5/13/2011	60,477.35	5/27/2011	12,113.16	5/30 - 5/31/2011
FICA - EE	15,258.76	5/13/2011	14,884.02	5/27/2011	2,870.66	5/30 - 5/31/2011
FICA - ER	22,524.84	5/13/2011	21,971.67	5/27/2011	4,237.64	5/30 - 5/31/2011
Medicare - EE	5,918.48	5/13/2011	5,925.43	5/27/2011	1,192.63	5/30 - 5/31/2011
Medicare - ER	5,918.48	5/13/2011	5,925.44	5/27/2011	1,192.64	5/30 - 5/31/2011
Federal unemployment	-	5/13/2011	-	5/27/2011	-	5/30 - 5/31/2011
Other:			-		-	
Total Federal	109,675.21		109,183.91		21,606.74	
State and Local						
State income tax	15,160.99	5/13/2011	15,270.71	5/27/2011	3,016.10	5/30 - 5/31/2011
Sales/Use	550.00	5/3/2011				
Excise						
State unemployment	152.39	5/13/2011	152.41	5/27/2011	30.48	5/30 - 5/31/2011
Real Property						
Personal Property						
Other: franchise						
Total State and Local	15,863.38		15,423.12		3,046.58	
Total Taxes	**125,538.59**		**124,607.03**		**24,653.32**	

TERRESTAR NETWORKS INC., ET AL.
Debtor-in-Possession

Schedule of Payments to Insiders and Professionals

	Period From May 1 - May 31
Retained Professionals	**Disbursements**
Akin Gump Strauss Hauer & Feld LLP	$1,383,442
Fraser Milner Casgrain LLP	$217,863
Stikeman Elliot LLP	$177,739
Goldberg, Godles, Wiener & Wri	-
Wilkinson Barker Knauer	
Otterbourg, Steindler, Houston & Rosen	$482,963
Sheppard Mullin Richter & Hampton	$85,446
The Blackstone Group	$164,637
FTI Consulting	$100,849
Ernst & Young LLP	-
Deloitte & Touche - US	-
Grant Thornton	-
Garden City	$116,730
Other Professionals	
Willkie Farr & Gallagher	$124,391
Steptoe & Johnson	
Cassels Brock	$7,306
SNR Denton LLP	
US Bank St. Paul Mn	
Goodmans LLP	-
Bennet Jones	$33,756
Emmet Marvin & Martin LLP	-
Deloitte & Touche - Canada	$59,278
US Trustee	$6,175
Duff and Phelps	$63,912
Insiders	
TerreStar Solutions	$67,438

TERRESTAR NETWORKS INC., ET AL.
Debtor-in-Possession

Debtor Questionnaire

Case No.	
(Jointly Administered)	10-15446 (SHL)
Reporting Period	May 31, 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**(1)	
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 NETWORKS INC., ET AL.
Debtor-in-Possession

Schedule of Liabilities Subject to Compromise[4]

GL Accounts	TerreStar Networks - Consolidated (Reflected in Balance Sheet)	TerreStar Networks - Consolidated (Liabilities sujbect to compromise)
211010 Accounts Payable - Trade	(83,842,366)	(77,319,676)
211011 Accounts Payable - Adjustments	12,747,780	12,946,272
213011 InterCompany - Due To Motient - ST	(52,658,984)	(52,658,984)
213500 Notes Payable - InterCo - ST	(50,000,000)	(50,000,000)
251135 Accrued Interest on Debt - I/C - ST	(13,758,904)	(13,758,904)
251040 Accrued Operating Expenses	(7,554,857)	(4,717,750)
251140 Other Liabilities - Current	(7,323)	(7,323)
251120 Deferred Rent - Current	(958,424)	(958,424)
251125 Deferred Orbital Incentive Payment - Cur	(15,011,143)	(15,011,143)
262410 Deferred Rent - LT	(84,717)	(84,717)
262409 Deferred Orbital Incentive Payment - Non	(6,163,253)	(6,163,253)
261112 TerreStar Exchangeable Notes - LT	(178,747,707)	(178,747,707)
261412 Discount on Exchangeable Notes	51,388,889	51,388,889
TOTAL -LIABILITIES SUBJECT TO COMPROMISE		(335,092,721)

[4] The schedule set forth below is subject to material change based upon the Debtors' chapter 11 cases.